



**Economic &
Planning Systems**

*Public Finance
Real Estate Economics
Regional Economics
Land Use Policy*

FINAL REPORT

CITY OF FLAGSTAFF HOUSING AND COMMUNITY SUSTAINABILITY NEXUS STUDY

Prepared for:

City of Flagstaff

Prepared by:

Economic & Planning Systems, Inc.

October 19, 2007

Revised February 2008

EPS #16891

DENVER

730 Seventeenth Street, Suite 630
Denver, CO 80202-3511
www.epsys.com

phone: 303-623-3557
fax: 303-623-9049



BERKELEY

phone: 510-841-9190
fax: 510-841-9208

SACRAMENTO

phone: 916-649-8010
fax: 916-649-2070

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION	1
Background	1
Project Scope	3
Definitions	5
Summary of Findings.....	9
II. ECONOMIC AND DEMOGRAPHIC FRAMEWORK	17
Employment and Wages	17
Flagstaff Area Employment	27
Employer Survey	30
Housing Costs.....	38
Population and Households	41
Demographic Characteristics.....	43
Commuting Patterns	48
Housing Trends	49
Second Home Estimates	52
Employment and Household Forecast.....	57
III. RESIDENT & SECOND HOMEOWNER SURVEYS.....	58
Flagstaff Household Survey.....	58
Second Home Survey.....	67
Second Home Impacts	72
IV. HOUSING MARKET CONDITIONS	77
Existing Housing Stock.....	77
Housing Market Conditions	80
Land Costs.....	94
Land Supply	99
V. HOUSING NEEDS	106
Ownership Workforce Housing Needs.....	107
Rental Workforce Housing Needs	113
Community Workforce Housing Goals	117

TABLE OF CONTENTS (continued)

	<u>PAGE</u>
VI. CONCLUSIONS AND HOUSING ACTION PLAN	120
Conclusions	120
Economic Development Recommendations.....	124
Housing Action Plan.....	127

LIST OF TABLES

	<u>PAGE</u>
Table 1	HUD 2006 Income Definitions by Household Size, Flagstaff Metro Area..... 6
Table 2	Wage and Salary Employment: Coconino County, 1990-2006 18
Table 3	Total Employment by Industry: Coconino County, 2001-2005 21
Table 4	Industry Employment as Percent of Total: Coconino County, 2001-2005 22
Table 5	Wages by Industry: Coconino County, 2006..... 24
Table 6	Occupational Wage Comparison: Coconino and Maricopa Counties, 2006.. 25
Table 7	Proprietor Employment: Coconino County, 1990-2005..... 26
Table 8	Wage and Salary Employment: Flagstaff, 2004-2006 27
Table 9	Wage and Salary Employment: Flagstaff and Coconino County, 2004-2006 28
Table 10	Flagstaff Area Major Employers 29
Table 11	Survey Respondent Establishments by Number of Employees 30
Table 12	Employee Turnover for Selected Businesses..... 32
Table 13	Flagstaff Job Openings by Occupation 33
Table 14	Short and Long Term Business Plans..... 35
Table 15	Average wage for New Entry-level Employees 36
Table 16	Primary Reasons Cited for Employee Turnover 37
Table 17	Wage, Income, and Home Price Comparison, 2000-2006..... 38
Table 18	Wage and Income Required to Afford Median Home Price 39
Table 19	Peer Community Home Prices and Household Incomes in 2006 40
Table 20	Population Trends, 1990-2006 41
Table 21	Household Trends, 1990-2006 42
Table 22	Average Household Size, Flagstaff 42
Table 23	Tenure, 1990-2007..... 43
Table 24	Household Type: Flagstaff, 2000 and 2007 44
Table 25	Median and Average Household Income: Flagstaff, 1990-2006 46
Table 26	Households by AMI Range: Flagstaff, 2006 47
Table 27	Place of Residence for Flagstaff Employees 48
Table 28	Housing Units: City of Flagstaff, 2000-2006 49
Table 29	Residential Construction by Unit Type: Flagstaff, 1999-2006..... 50
Table 30	Unincorporated Coconino County Housing Construction, 2000-2006 51
Table 31	Housing Units by Vacancy Status: Flagstaff, 1990-2000..... 52
Table 32	Estimated Second Homes: Flagstaff, 2006 55

LIST OF TABLES (continued)

	<u>PAGE</u>
Table 33	Flagstaff Population Estimate, 2006 56
Table 34	Flagstaff Region Employment and Housing Projection 57
Table 35	Importance of Affordable Housing Issue 61
Table 36	Priority for Allocating Housing Resources 61
Table 37	Population Groups with Housing Needs 62
Table 38	Employer Opinions on Housing Priorities 62
Table 39	Ranking of Possible Housing Solutions 63
Table 40	Preferred Bedrooms and Bathrooms 65
Table 41	Primary Reason for Not Buying a Home 65
Table 42	Second Home Occupancy 67
Table 43	Second Home Intended Future Use 70
Table 44	Second Homeowner Household Composition 71
Table 45	Second Homeowner Expenditure Patterns in 2006 72
Table 46	Residents and Second Homeowner Retail Expenditure Potential 73
Table 47	Estimated City Retail Sales by Market Segment 74
Table 48	Estimated Sales Tax Revenue per Household 75
Table 49	Housing Stock by Unit Type: Flagstaff, 1990-2006 77
Table 50	Percent of Change in Housing Stock by Unit Type 78
Table 51	Tenure by Occupied Unit Type: Flagstaff, 2000 79
Table 52	Median Residential Sale Prices: Flagstaff, 1993-2006 84
Table 53	Percentage of Single Family Home Sales by Lot Size 86
Table 54	City of Flagstaff Residential Zoning Categories 87
Table 55	Single Family Sales by Lot Size and Owner Address 89
Table 56	Sales by Housing Type and Owner Address, 2000-2006 90
Table 57	Average Price for Recent Single Family Construction, 2000-2006 91
Table 58	Major Residential Development Projects 93
Table 59	Land Sales by Year and Size Range: Flagstaff, 1993-2005 95
Table 60	Average Land Sale Price by Size Range: Flagstaff, 1993-2005 96
Table 61	Generalized Cost Components of a Single Family Home 97
Table 62	Major Development Opportunity Inventory 100
Table 63	Average Rents by Unit Type 101
Table 64	Rental Rates and Affordable Income Range 102

LIST OF TABLES (continued)

	<u>PAGE</u>
Table 65	Cost Burdened Households by Tenure..... 103
Table 66	Renter Cost Burden by AMI..... 104
Table 67	Affordable Rental Housing Inventory 105
Table 68	Households by AMI and Tenure 106
Table 69	Affordable Home Prices by AMI 107
Table 70	Home Sales by Affordable Price Range and AMI 108
Table 71	Estimated Unmet Demand for Workforce Ownership Housing 109
Table 72	Estimated Current Demand for Ownership Housing at 60-80% AMI..... 110
Table 73	Ownership Workforce Housing Needs, 2006-2021 112
Table 74	Current Rental Housing Gap, 30 to 60% AMI 114
Table 75	Projected Workforce Rental Housing Needs 115
Table 76	Workforce Housing Goal..... 118
Table 77	Potential Role of CLTP 119

LIST OF FIGURES

	<u>PAGE</u>
Figure 1	Economic and Community Development Balance 2
Figure 2	City of Flagstaff and FMPO Area 8
Figure 3	Unemployment Rate, 1995-2007 19
Figure 4	Coconino County and Arizona Industry Employment, 2005 23
Figure 5	Flagstaff Area Businesses by Employee Size Category 31
Figure 6	Employers' Ranking of Workforce Housing Concerns 34
Figure 7	Household Type by Tenure, 2007 45
Figure 8	City of Flagstaff Property Ownership 53
Figure 9	Home Sales by Owner Address, 1993-2007 YTD 54
Figure 10	Reasons for Moving to the Flagstaff Area 59
Figure 11	Average Ranking (1 to 5) for Quality of Life Issues 60
Figure 12	Housing Preference Rankings 64
Figure 13	Price Ranges Affordable by Those Interested in Buying a Home 66
Figure 14	Second Home Seasonal Usage Patterns 68
Figure 15	Second Homeowner Activities 69
Figure 16	Second Homeowner Household Income Distribution 71
Figure 17	Percent Change in Housing Price Index 81
Figure 18	Coconino County Assessor Tax Areas 83
Figure 19	Residential Sales Volume by Type: Flagstaff, 1994-2006 85
Figure 20	Average Single Family Lot Size by Year Home Built: Flagstaff, 1900-2006 .. 88
Figure 21	Generalized Cost Components of a Single Family Home 98

APPENDIX

- A. Additional Home Sales Data
- B. HTF Revenue Calculations
- C. Green Building
- D. Peer Community Housing Programs
- E. Household Survey
- F. Second Home Survey
- G. Employer Survey
- H. Open Ended Survey Comments

APPENDIX FIGURES AND TABLES

Figure A-1 Coconino County Assessor Tax Areas	142
Table A-1 Median Single Family Home Prices by Tax Area (Regional)	143
Table A-2 Median Single Family Home Prices by Tax Area (Subareas).....	144
Table A-3 Median Attached Housing Prices by Tax Area (Regional).....	145
Table A-4 Median Attached Housing Prices by Tax Area (Subareas).....	146
Table A-5 Recorded Single Family Home Sales by Tax Area (Regional).....	147
Table A-6 Recorded Single Family Home Sales by Tax Area (Subarea)	148
Table A-7 Recorded Attached Home Sales by Tax Area (Regional).....	149
Table B-1 One Time Revenues from a Hypothetical RETA	151
Table B-2 Ongoing Revenues (After Buildout) from a Hypothetical RETA.....	152
Table B-3 Document Fee Estimate	152
Table B-4 Estimated Revenue from Building Permit Fee Dedication.....	153
Table C-1 Cost of Green Building Techniques	155

I. INTRODUCTION

This report presents Economic & Planning Systems' (EPS) findings for the Housing and Community Sustainability Nexus Study for Flagstaff, Arizona. EPS' analysis and findings are presented in five sections following this introduction and Executive Summary as follows:

- Economic and Demographic Framework
- Resident and Second Homeowner Surveys
- Housing Market Conditions
- Housing Needs
- Conclusions and Housing Action Plan

BACKGROUND

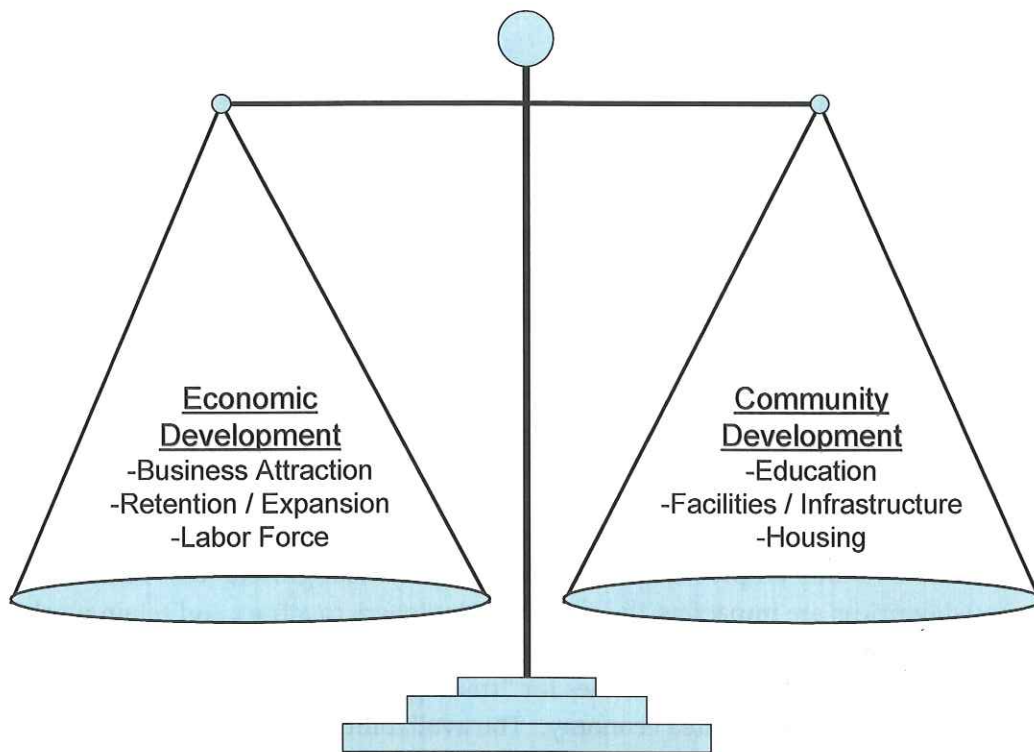
Over the last six years, the City of Flagstaff has experienced a locally unprecedented increase in housing costs. According to an analysis of Coconino County Assessor data, the median home price rose from \$165,000 in 2000 to \$380,000 in 2006, an average increase of 14.9 percent per year. Housing prices have appreciated faster than wages and household income. Wages increased by an average of 4.2 percent per year from 2000 to 2006 and household income increased by 2.6 percent per year over the same time period. As a result, the median home is now 11.8 times greater than the average wage and 8.4 times the median household income.

Flagstaff is the economic center of Coconino County and accounts for approximately 65 percent of total County employment. Although employment growth has been strong to date, housing prices are impacting the ability of employers to attract and retain workers. According to a survey of 97 Flagstaff employers conducted for this study, wages, affordable housing, and job opportunities for "trailing spouses" are the three most significant challenges for the area economy. The availability of affordable housing is therefore a key component of economic as well as community sustainability.

Defined in its broadest sense, a sustainable economic development policy also addresses community development factors such as housing, education, and other community facilities and amenities, as shown in **Figure 1**. Traditional location criteria, such as transportation and utility costs, have diminished in importance in the global economy. For many location neutral businesses, location decisions include broader, more discretionary items such as the community's cultural, recreational, and entertainment opportunities; quality schools and affordable housing; and the appeal to a firm owner or manager as a place to live.

The City of Flagstaff has historically ranked high on a number of national rankings as an attractive place to live. It is a university town in a mountain setting with a moderate climate containing abundant recreation opportunities and above-average cultural and entertainment options for a city its size. However, except for sole proprietorships, a basic requirement of doing business is an available labor force. The City's rapidly rising housing costs are having an impact on one of its traditional competitive advantages.

Figure 1
Economic and Community Development Balance
Housing and Community Sustainability Nexus Study



PROJECT SCOPE

The Community Housing Policy Task Force (Task Force) was established to examine City regulatory documents and processes that may impede the development of affordable housing. One of its recommendations was for the City to undertake a study to quantify the extent of the affordable housing problem. The purpose of this Housing and Community Sustainability Nexus Study (Nexus Study) is therefore to identify and quantify the impacts of housing affordability, wage rates, and second homes on the community and to determine how these impacts can be addressed. The Nexus Study also addresses interrelated economic development and community development issues to provide the City with policy guidance to address the long term economic and social sustainability of the City.

The Nexus Study includes an analysis of the existing economic and demographic characteristics of the population, employment conditions and workforce characteristics, and housing conditions and needs. Because housing and demographic data from the 2000 Census is out of date, a detailed and statistically reliable household survey was conducted to quantify current housing conditions. A second survey of second homeowners was conducted to determine their demographic characteristics and their level of contribution to the local sales and property tax base. The housing and economic data are used to quantify housing and employment needs and to recommend policies and programs to mitigate these impacts. The report and analysis include the following major tasks:

- **Stakeholder Interviews** – EPS met with City staff and community representatives to collect information on housing conditions, economic trends, and future growth. In addition, EPS conducted confidential interviews with major employers, business leaders, and local real estate professionals to provide additional insight and perspective on project issues.
- **Household and Employer Surveys** – In conjunction with RRC Associates, EPS conducted detailed and statistically reliable surveys of Flagstaff households and second homeowners to quantify and update data on housing occupancy and household economic and demographic characteristics. Local employers were also surveyed regarding their workforce characteristics and employee needs.
- **Economic Base** – EPS documented employment and labor force trends including jobs by industry sector, wages by sector, and unemployment rates. Prevailing wage levels are linked to housing costs to identify workforce housing affordability gaps. EPS also documented the economic base of Flagstaff and identified barriers to continued economic growth and diversification.

- **Second Homes** – Based on survey data and an analysis of County Assessor records, EPS quantified the significance of second homes as a segment of the overall housing market and estimated the contributions of second homes to the economic base.
- **Housing Market Analysis** – EPS analyzed recent housing market trends for the City including primary and secondary data on housing production by type, home, and land prices by type over time, along with rental market conditions.
- **Housing Needs** – EPS forecasts the demand for housing in Flagstaff over the next 15 years for each market segment including local employees (local demand) and second homes. Housing needed for local employees is estimated by income level.
- **Economic Development and Policy Recommendations and Housing Action Plan** – Based on the quantified housing needs, workforce housing development programs and policy options are identified for consideration by the public and private sectors. The implementation strategy outlines recommended roles and responsibilities to carry out the proposed actions.

DEFINITIONS

AFFORDABLE HOUSING

The Task Force defined “affordable community (workforce) housing” as decent safe housing that does not cost-burden members of the local workforce including teachers, bank tellers, nurses, construction workers, and police officers. Workforce housing was defined by the Task Force as housing that is affordable to current residents or new residents who earn up to 150 percent of Area Median Income (AMI) when they spend no more than 35 percent of gross income on housing. This definition includes a wide variety of employees at wage and income levels from entry-level retail and service employees to managers and mid-level professionals. Since this definition of workforce housing covers such a wide range of incomes and job types, two categories of workforce are the focus of this study and are described below.

Ownership Workforce Housing - is entry-level for-sale housing provided for the professional, skilled trade, and community workforce that are largely priced out of the current market. These workers include entry to mid-level professionals and managers, teachers, emergency personnel (e.g., fire, police, EMS), and health care workers. These positions, and housing for these positions, are needed to maintain and expand the City’s economy by attracting new businesses and supporting the expansion of existing businesses. Being able to attract and retain quality personnel in these positions is part of maintaining and improving the community infrastructure and quality of life that is at the core of being an economically competitive city.

The focus of housing programs for this segment is between 80 and 150 percent of AMI based on current wages and household incomes. Eighty percent of AMI is generally the lower end of entry-level ownership. Below the 80 percent AMI level, the subsidies needed to provide ownership housing become cost prohibitive, and rental programs are often more successful. In 2006, to be affordable to 80 to 150 percent AMI households, workforce housing needs to be priced from \$130,000 to \$256,000 based on an average household size of 2.5. In 2006, 20 percent of home sales were below \$256,000 for all housing types.

Rental Workforce Housing - is for-rent housing provided for lower-wage entry-level retail and service employees that are priced out of market rate rental housing. Flagstaff has a large number of these positions generated by the tourism industry, and its role as a regional trade center for Northern Arizona. These positions include retail and hospitality employees, some construction and maintenance employees, and laborers. Nearly 40 percent of all renters in Flagstaff are cost burdened (paying more than 35 percent of income for housing), and 22 percent of renters in the 30 to 60 percent of AMI income range are cost burdened.

Households in the 60 to 80 percent AMI range represent 12 percent of all Flagstaff households. Typically, these households fall in the gap between traditional subsidized rental programs and being able to afford entry level ownership housing. In some communities, market rate rental housing serves this segment of the market. Homebuyer assistance programs can help to move them from renting to owning their home. Rental housing is also a needed temporary housing solution for those relocating to Flagstaff.

INCOME DEFINITIONS

The U.S. Department of Housing and Urban Development (HUD) publishes AMI definitions for counties and metropolitan areas. HUD income figures are used to administer housing programs by providing standards for qualifying renters and owners for housing programs. HUD income figures vary slightly from other income measures used in this report, but are generally consistent.

The income definitions for the Flagstaff Metropolitan Area are shown in **Table 1**. The AMI definitions are benchmarked from the median income for a family of four, which was defined as \$54,200 in 2006. (The median income is the income at which half of households earn more and half earn less.) For purposes of estimating housing needs, the HUD defined AMI for an average household size of 2.5 is estimated at \$46,073. These figures are close to the Census based average household size of 2.59 and the household survey based median household income of \$45,000 for Flagstaff.

Table 1
HUD 2006 Income Definitions by Household Size, Flagstaff Metropolitan Area
Housing and Community Sustainability Nexus Study

Percent of AMI	Household Size					
	1-Person	2-Person	2.5-Person ¹	3-Person	4-Person	5-Person
< 30%	\$11,400	\$13,000	\$13,825	\$14,650	\$16,250	\$17,550
31 - 60%	\$22,768	\$26,031	\$27,644	\$29,257	\$32,520	\$35,108
61 - 80%	\$30,350	\$34,700	\$36,850	\$39,000	\$43,350	\$46,800
81 - 100%	\$37,946	\$43,385	\$46,073	\$48,761	\$54,200	\$58,513
100 - 125%	\$47,433	\$54,231	\$57,591	\$60,952	\$67,750	\$73,142
126 - 150%	\$56,919	\$65,078	\$69,110	\$73,142	\$81,300	\$87,770
151% +	> \$56,919	> \$65,078	> \$69,110	> \$73,142	> \$81,300	> \$87,770

¹ Estimated as the midpoint between a 2 and 3-person household.

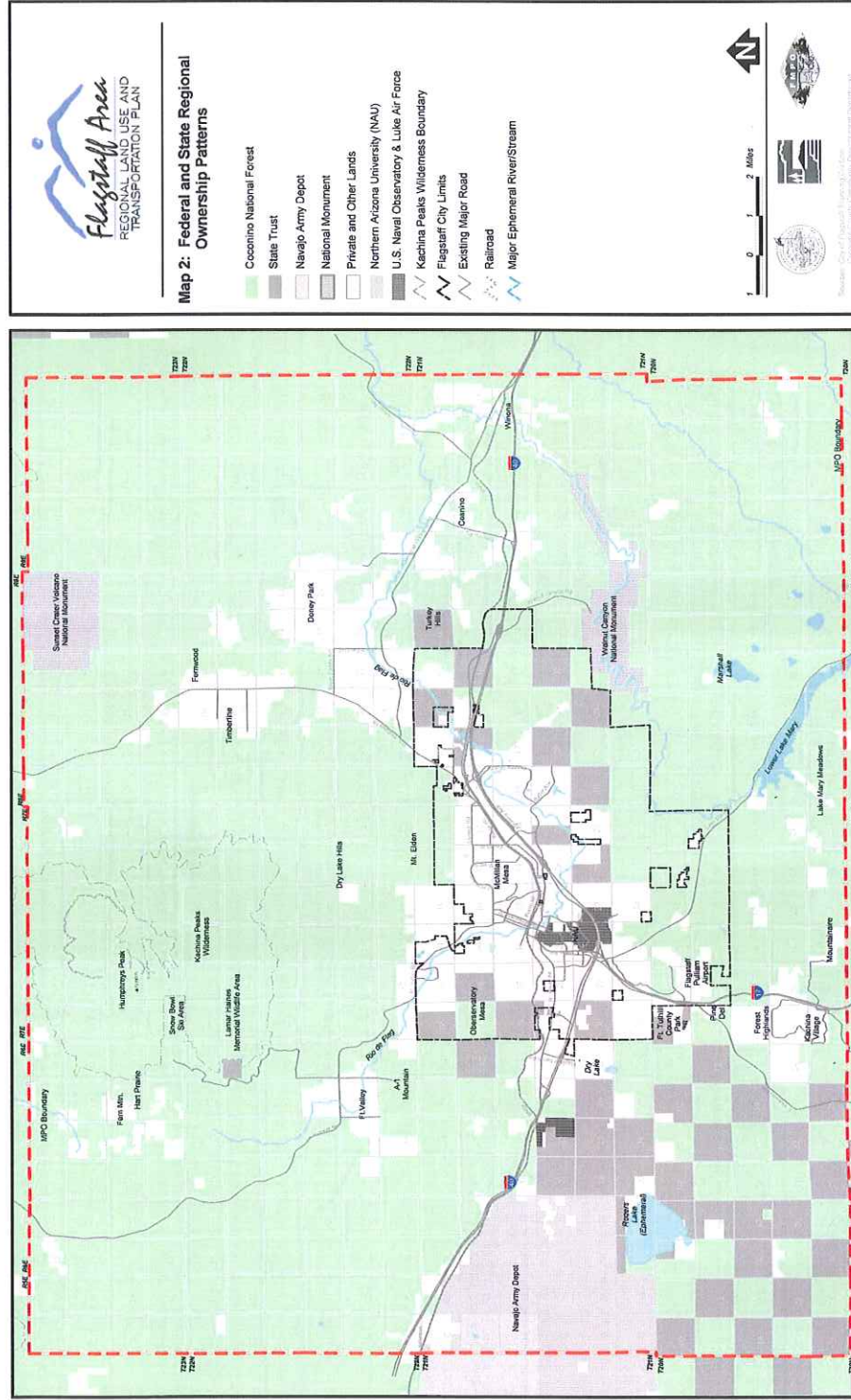
Source: US Dept. of Housing and Urban Development; Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-Gap2006.xls\2-HUD Income

STUDY AREA

The study area for the project focuses on the City of Flagstaff. Because of the close relationships between the City and the surrounding unincorporated areas in the Flagstaff Metropolitan Planning Organization (FMPO) boundary, much of the data and statistics in the study are reflective of the City and larger FMPO area. **Figure 2** illustrates the City and FMPO area. The FMPO area includes the City of Flagstaff and the unincorporated communities of Bellemont, Winona, Doney Park, Fort Valley, Kachina Village, and Mountaineer.

Figure 2
 City of Flagstaff and FMPO Area
 Housing and Community Sustainability Nexus Study



SUMMARY OF FINDINGS

1. *The growing disparity between housing prices and wages and income is the primary cause of affordable workforce housing need in Flagstaff.*

The median home price more than doubled from \$165,000 in 2000 to \$380,000 in 2006, an increase of 14.9 percent per year. Although the median price for all housing types dropped by 3.2 percent 2007 (year to date), this does not diminish the growing housing affordability gap in Flagstaff that is significantly greater than in the Phoenix metro area. Median housing prices are approximately \$100,000 greater in Flagstaff (\$380,000 compared to \$264,900 in Phoenix). At the same time, Flagstaff has a lower median household income of \$45,000 for the average household size of 2.59, compared to \$45,500 for the average household size in Phoenix.

Housing prices are appreciating faster than wages and household income. Wages increased by an average of 4.2 percent from 2000 to 2006 and household income increased by 2.6 percent per year over the same time period. As a result, the median home price is now 11.8 times greater than the median wage and 8.4 times the median household income. It now requires an annual income of \$96,000 to afford the median home price in Flagstaff. This is equivalent to one earner earning \$46 per hour, or two earners making \$23 per hour. The average wage in Flagstaff is \$15.50 per hour. Only 20 percent of all Flagstaff area households (renters and owners) can now afford the median home price.

2. *The rapid increase in housing values in Flagstaff is the result of the combination of larger national trends and a strong second home market in Flagstaff.*

The presence of a significant second home market is one of several factors contributing to rapid housing appreciation in the Flagstaff market. Second homebuyers in Flagstaff have an average household income of \$280,000, compared to the local average household income of \$60,000 and median income of \$45,000. Second homebuyers can therefore pay more for housing than local working families, and the market has responded to these high income buyers with a surge in upper-end projects under development.

From 1994 to 2003, second homes accounted for approximately 20 percent of residential sales. However, in 2005 and 2006, non-local buyers and investors accounted for 30 percent of the market. As new construction becomes more expensive, as indicated by current housing development projects, and as the overall market appreciates, it can be expected that second homebuyers will continue to increase. This will put increased pressure on housing prices further increasing the gap between prices and what the local labor force can afford.

Other market factors have also contributed to housing appreciation in Flagstaff and elsewhere in the region over the 2000 to 2006 time period. The housing market was strong in many areas of the U.S., especially the Southwest, due to historically low interest rates, new lending products, and aggressive lending standards (i.e., low-equity mortgages and adjustable rate mortgages). The availability of financing has opened up the market to a larger pool of buyers and investors than existed previously. The major metropolitan areas in the Southwest, such as Las Vegas and Phoenix, experienced especially strong appreciation and construction demand for new buyers as well as investors. Flagstaff has also been impacted by these national trends. Recent foreclosure rates and a tightening of the mortgage market are expected to moderate housing inflation in 2007 and 2008. However, values are not expected to drop to levels that would alleviate the current affordability gap.

3. The overall market appreciation in Flagstaff has increased the price of land for residential development to a point that makes it difficult for the market to provide affordable workforce housing.

A finished single family lot accounts for 25 to 35 percent of the price of a new home. Development fees and permits account for less than 5 percent. There are very few lots available for less than \$150,000. Using a midpoint of 30 percent, a \$150,000 lot results in a home price of approximately \$500,000. Addressing the cost of land is therefore one of the most effective approaches to reducing housing costs. The City's Community Land Trust Program (CLTP) can be an effective way to reduce housing costs, because it removes the price of land from the home price.

Building permit fees and utility hook-up fees are currently 2 percent of a finished home price. Impact fees could add up to \$15,000 on a single family home (an additional 3 percent) if the maximum fee is adopted. Some of this cost will be passed on to the homebuyer and some may come out of land values. However, infrastructure improvements need to be made to maintain the levels of service and quality of life expected in Flagstaff. These improvements must be paid for either through development fees or higher taxes. The City's ability to increase taxes is limited by state legislation and voter approval.

4. *Flagstaff employee recruitment and retention problems are due primarily to the convergence of three economic factors: relatively low wages, rapidly increasing housing prices, and a lack of job opportunities for spouses/partners.*

The comparison of wage data by occupation shows that median wages are 11 percent higher in Phoenix. However, wages are not the only factor impacting businesses and employees. EPS' survey of major Flagstaff employers identified growing employee recruitment and retention challenges. Several major employers noted they were getting fewer qualified applicants and were experiencing higher turnover rates than in the past. The EPS household survey and employer survey identified the most important community issues as "housing for the local workforce," "better/more job opportunities," "job opportunities for trailing spouses", and "wages". These factors are also exacerbated by the current low unemployment rate (4.0 percent year to date).

5. *Flagstaff's labor force has a strong local orientation. The community should make strong efforts to continue to house the majority of its workforce locally.*

Flagstaff has a favorable jobs-housing balance, with approximately 90 percent of the labor force residing in the FMPO area and 84 percent within the City limits. The community has not yet experienced the out-migration of local employees to the extent seen in other high-cost mountain communities in the Western U.S. Based on the employer survey, people who live and work in their community are more likely to have a strong sense of ownership and value in the community, and are more likely to invest time and money in it. Other mountain community studies have found that participation in community activities and volunteerism declines as commuting from more outlying areas increases.

6. *An analysis of employment and housing construction trends suggests that housing construction is falling behind employment growth.*

From 2004 through 2006, Flagstaff added 1,730 jobs per year. With an average of two jobs per household (full and part time), this translates to household growth of approximately 865 per year. However, new residential construction within the City has occurred at 500 to 600 units per year during this time period and it is estimated that approximately 10 percent of this construction is being purchased by second homeowners and investors. If this trend continues, it will worsen affordability and labor force issues.

7. *Rental workforce housing will continue to be a pressing need due to the growth of lower wage service jobs as well as a diminishing supply of apartment units.*

The City is highly dependent on sales tax revenues; while increasing the tax base through additional retail/commercial development is beneficial to the City's fiscal sustainability, it also generates low-wage jobs. Additional retail/commercial development such as the mall expansion will also generate new retail and service employees who will be priced out of the ownership housing market.

These economic segments are important to the City's economy and should also be considered an important part of the City's housing strategy. Many retail/service employees are in the income brackets that can be served by subsidized and free market rental housing. As additional commercial development occurs, rental housing should also be a priority for the City.

Flagstaff has a large unmet need for affordable rental housing that will grow with Flagstaff's economy and as lending restrictions tighten, put more households in the rental market. If condominium conversions continue, Flagstaff will also lose more of its rental housing stock. A typical stabilized vacancy rate is 5 percent, and the rental market has less than 5 percent vacancy currently, which indicates a shortage of rental housing. A balanced housing strategy that includes rental housing is part of the long-term economic and social sustainability of Flagstaff.

8. *The majority of future job growth in Flagstaff is expected to come from the expansion of existing local businesses, new businesses created from local entrepreneurial talent, and from managers and proprietors living in or relocating to Flagstaff because of its appeal as a place to live.*

While the high quality of life and mountain setting has been Flagstaff's competitive edge, the cost of housing is impacting the City's appeal as a place to do business. With its relatively isolated geography, small labor force, and high housing costs, Flagstaff is not in a strong position to compete nationally for locating major new employers. On the positive side, one-third to one-half of the job growth over the past five years has come from the self-employed (proprietors).

Local entrepreneurs and others moving to Flagstaff to start new businesses will do so because they want to live in Flagstaff. This reinforces the need to consider economic development in a broader context that includes continued investment in community amenities and services that make Flagstaff a desirable mountain community. This "community infrastructure" includes schools, parks, trails, open space, an attractive urban form, a vital downtown environment, arts and cultural attractions, and quality health care. Quality affordable housing is also a critical component of "community infrastructure" and a worthy public investment.

This is not intended to discount the community's laudable efforts to attract and compete for new jobs and pursue science, technology, and clean energy based businesses. The City should continue its efforts to attract high-paying, high-skill jobs, but these efforts should not be the sole priority and should be balanced with community development. Economic development is a multifaceted strategy; investment in community infrastructure and facilities is as important in economic development as recruiting new businesses.

9. *Expanded commercial air service is also an important community infrastructure investment to support local business expansion, as well as business recruitment and retention efforts.*

Investment in the runway expansion at Flagstaff Airport supports the growth of sole proprietorships, entrepreneurs, and remote workers who choose to locate in Flagstaff. Subsidizing the expansion of commercial air service should be considered as an economic development investment. A recent study in Steamboat Springs, Colorado found that the lack of reliable commercial air service to multiple cities was one of the largest deterrents to the growth of location neutral businesses.

10. *Smart Growth, Traditional Neighborhood Design (TND), higher densities, and mixed use infill development are important strategies for accommodating growth in a more sustainable manner. However, these strategies need to be combined with other workforce housing programs to positively affect affordability.*

Higher densities and a mix of land uses reduce land consumption and vehicle trips. The amenities and interconnectedness of TND also enhances quality of life. The mix of housing types in TND and mixed use development also provide for more diverse housing opportunities and price points. These are all important ways to grow in a more sustainable manner.

However, the experience of other large scale TND projects indicates that TND has had little impact on the affordability of traditional detached housing for families. The higher density of TND helps to offset the amenities associated with TND (open space, trails, parks, alleys), which are costly to develop. The overall market conditions determine what buyers are willing to pay for housing, especially if second homes are a significant market factor, as they are in Flagstaff. This reinforces the need to combine TND, infill, and redevelopment with other workforce housing programs to promote more balanced and diverse neighborhoods. The Housing Action Plan identifies incentives that can be used to encourage workforce housing in new development, such as density bonuses; fee reimbursements, waivers, and deferrals; and off-site improvement deferrals.

11. In the coming years Flagstaff will experience increased pressure to expand the existing urbanized area, including annexation and development of major State Land and Forest Service parcels.

Developers and builders have indicated a shortage of buildable lots and readily developable land. An analysis of major state and federal land holdings surrounding Flagstaff indicates that the market pressure to develop these areas of the City is increasing and that major annexation and development proposals should be anticipated. Development of these areas should be considered carefully as part of strategic decisions by the community on how and where to accommodate the needs of current and future residents. Consideration of State Lands and Forest Service land trades will present opportunities to accommodate the future growth of the region contiguous to the existing urbanized area.

Contiguous compact growth is more efficient than growth that is scattered throughout the unincorporated areas. However, there may be some opposition to expanding the urbanized area into undeveloped areas contiguous to the City. If the supply of housing does not keep up with the new labor force demands, prices will rise further, widening the current affordability gap. Citizens and elected officials will need to determine how to accommodate the growth of the City so that there are opportunities for both current and future residents. An equitable housing and community sustainability strategy recognizes the needs of existing and future residents.

Updates to the Regional Land Use and Transportation Plan should focus strongly on infill and redevelopment along with smart growth in anticipated new growth areas. The City should ensure that revisions to the Land Development Code and possibly City zoning provide the leverage to implement the land use preferences identified by the community.

12. The Nexus Study provides a 15-year workforce housing demand forecast for rental and ownership workforce housing from 30 to 150 percent of AMI.

There is an estimated demand for 800 ownership workforce housing units (80 to 150 percent of AMI) to address the backlog of affordability gaps, and demand for an additional 2,100 units over the next 15 years. Ownership workforce housing would be priced between approximately \$130,000 and \$256,000.

To address the backlog of need in rental housing, there is a need for 790 rental units affordable to households at 30 to 60 percent of AMI, and an additional 900 market rate units affordable to households earning 60 to 80 percent of AMI. Over the next 15 years, 1,400 new affordable rental units are needed at 30 to 60 percent of AMI, and 1,100 units at 60 to 80 percent of AMI.

13. The City is encouraged to adopt a workforce housing goal based on the housing needs identified in this study.

This Nexus Study documented a need for 11 percent ownership workforce housing and 13 percent rental workforce housing to address forecasted housing needs and employment growth. In total, the study supports a workforce housing goal of up to 24 percent of new development. The City is encouraged to adopt the findings of this study and a workforce housing goal of 20 percent.

14. A Housing Trust Fund (HTF) is a necessary component of a successful workforce housing program. Establishing a dedicated revenue source for workforce housing should be high on the list of priorities.

The Housing Action Plan provides several options for funding a HTF. The options with the largest revenue potential are voluntary Real Estate Transfer Assessments (RETA) and increasing the fee on all documents recorded with the County Clerk's office. A RETA is an assessment on the sale of residential property within a specified development; it is not applied citywide. It is executed under a voluntary covenant that a developer agrees to place on property within a new development. Major new developments that go through the PUD or annexation process will present good opportunities for the City to negotiate with developers for a RETA. A 500-lot subdivision with a 10-year buildout and a 0.5 to 1.0 percent RETA could generate \$1.0 to \$2.0 million in one-time revenues from initial sales, and an additional \$75,000 to \$150,000 per year going forward from the resale of homes after the project is complete.

A recording fee on documents recorded in the County Clerk's office could also be a significant source of revenue. This would require cooperation from the County and most likely some sharing of revenues or agreements on equitable distribution of housing investments. A countywide document fee increase of \$2.50 and \$10.00 could generate \$140,000 to \$567,000 per year, respectively.

Any number of local funding sources can be used for workforce housing if the City decides to establish a HTF. Other possible sources include dedicating interest on real estate escrow accounts, dedicating a portion of the capital outlay fund, or dedicating a portion of the general fund revenues. Communities have also used general obligation bonds to develop, purchase, or rehabilitate workforce housing.

15. Many of the City's and larger community's existing affordable housing investments and programs are effective and should be continued and expanded.

This study supports the City's and larger community's current and past efforts on affordable housing. Flagstaff already has a number of housing programs including revolving loan funds for down payment assistance, housing rehabilitation programs, a Public Housing Authority, an inventory of over 1,200 affordable rentals (including Section 8 housing), and a growing CLTP. These existing programs are targeting the appropriate areas of housing need as identified in this study. The City should continue to fund and expand these programs as part of a multifaceted housing program.

16. The City's CLTP is an effective tool, but it will not be able to address the full range of workforce housing needs.

The CLTP provides a mechanism to remove the effects of land pricing from the price of a home. The CLTP alone will not address the full range of workforce housing needs and is thus part of a larger tool kit. The CLTP potential is also somewhat limited by developer willingness to incorporate workforce housing into new projects, although one of the goals of the program is to partner with private developers. The CLTP is working with builders to develop housing on City land as well.

This analysis has shown that a 50 unit per year goal for the CLTP will not meet the need for approximately 140 ownership units per year to keep up with employment growth. This means that the CLTP is part of a multifaceted housing strategy rather than the sole solution. The CLTP will also create opportunities for public-private partnerships to build additional housing for a market segment that is not being served by the private market. The focus of the CLTP is currently on ownership workforce housing, and the Nexus Study has also identified a large need for rental workforce housing.

II. ECONOMIC AND DEMOGRAPHIC FRAMEWORK

This chapter presents an analysis of economic and demographic trends in Coconino County and the City of Flagstaff. The County economic base is first evaluated to determine the most significant industry sectors and changes over time. Next, population, household, and housing unit trends are documented including the significance of the second home market.

EMPLOYMENT AND WAGES

Employment data presented in this report is derived from three sources: the U.S. Bureau of Economic Analysis (BEA), the U.S. Bureau of Labor Statistics (BLS), and the Arizona Department of Economic Security (DES). Total employment reported by the BEA includes wage and salary employment, sole proprietorships, and partnerships. It typically overstates jobs because of its inclusion of partnerships. Total employment estimates from BEA data typically lags two years behind the current year.

By contrast, BLS employment data is more current but only includes wage and salary employment covered by FICA (unemployment insurance). BLS data under represents total employment because it excludes sole proprietors and some government employment exempt from FICA. [The Quarterly Census of Employment and Wages (QCEW) tabulated by DES uses the same definition.] For both data sources, the number of jobs is tracked by place of employment and reported at the county level.

GROWTH TRENDS

Table 2 compares BEA and BLS employment growth trends for Coconino County since 1990. BEA employment grew from 48,664 jobs in 1990 to 79,511 in 2005, an increase of 30,847 or 3.3 percent annual growth over the same time period. BLS wage and salary employment grew from 39,793 jobs to 56,544 jobs, an increase of 16,751 or 2.4 percent annual growth. The percentage of wage and salary employment is declining which means that sole proprietorships and contract employment are increasing. In 1990 BLS wage and salary jobs were 82 percent of the BEA total, while in 2005 it has dropped to 71 percent.

Coconino County experienced an economic slowdown from 2001 to 2003, reflecting the national recession that began in 2001. The pace of job growth increased substantially from 2003 to 2006, with growth rates of over 4 percent per year in 2004 and 2005 for both employment definitions. Current BLS estimates suggest continued strong growth in 2006, with an increase of 2,300 jobs in the first six months that year.

Table 2**Wage and Salary Employment: Coconino County, 1990-2006**
Housing and Community Sustainability Nexus Study

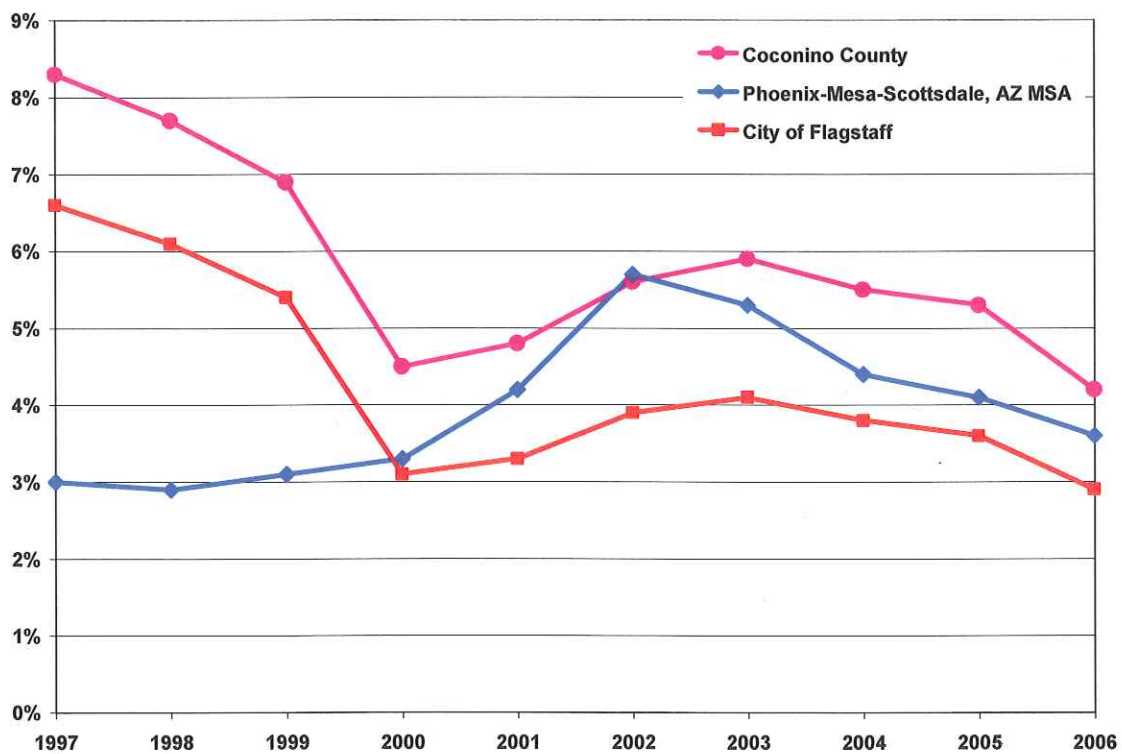
Year	BEA Employment	Ann. Change	Ann. % Change	BLS W&S Employment	Ann. Change	Ann. % Change	BLS/BEA %
1990	48,664	---	---	39,793	---	---	82%
1995	59,080	10,416	4.0%	47,058	7,265	3.4%	80%
2000	70,032	10,952	3.5%	50,853	3,795	1.6%	73%
2001	70,309	277	0.4%	50,718	-135	-0.3%	72%
2002	71,825	1,516	2.2%	51,471	753	1.5%	72%
2003	72,850	1,025	1.4%	51,826	355	0.7%	71%
2004	75,957	3,107	4.3%	54,119	2,293	4.4%	71%
2005	79,511	3,554	4.7%	56,544	2,425	4.5%	71%
2Q2006	---	---	---	58,848	2,304	---	---
1990-2000	21,368	2,137	3.7%	11,060	1,106	2.5%	
2000-2005	9,479	1,896	2.6%	5,691	1,138	2.1%	

Source: US Bureau of Labor Statistics; US Bureau of Economic Analysis; Economic & Planning Systems

H:\10891 Playstaff Housing Nexus Study\Models\10891 CCBW xlg\BEA vs BLS

The unemployment rate for the City of Flagstaff is at a recent historic low of 2.9 percent in 2006 while the rate in Coconino County as a whole is still over 4 percent, as shown in **Figure 3**. Flagstaff and Coconino County experienced relatively high unemployment in the late 1990s when the Phoenix-Mesa-Scottsdale Metropolitan Statistical Area (MSA) had very low unemployment at about 3 percent. As the economy grew, unemployment in Flagstaff and Coconino County dropped from 6.6 and 8.3 percent in 1997 to 3.1 and 4.5 percent in 2000, respectively. Unemployment in Flagstaff and Coconino County did not reach as high a level from 2001 to 2003 as it did in 1997, with the City's unemployment rate peaking at 4.1 percent in 2003 and the County at 5.9 percent. The historically low unemployment rate is indicative of positive job growth, a tight labor market, and a small labor force.

Figure 3
Unemployment Rate, 1995-2007
Housing and Community Sustainability Nexus Study



ECONOMIC BASE

BEA employment by industry is shown for the 2001 to 2005 time period in **Table 3**. Total employment increased by 9,202 between 2001 and 2005 at an annual rate of 3.1 percent. Government is the largest sector in Coconino County with 16,000 jobs or 20 percent of the total. State government employs 5,700 people in the County (including NAU), and local government accounts for 7,000 jobs. The Federal government employs 3,300 people in the County including approximately 300 military positions.

Accommodation and Food Services (lodging, restaurants, and bars) is the next largest industry sector with 11,700 jobs. Retail Trade accounts for almost 9,000 jobs in the County. Together, these two industries contain 20,700 jobs, or 26 percent of the total. Other major industries in Coconino County include Health Care with 8,200 jobs, Construction with 4,900 jobs, Manufacturing with 3,700 jobs, Real Estate with 4,400 jobs, Professional and Technical Services (e.g., lawyers, accountants, and engineers) with 3,800 jobs, and Administrative with 3,200 jobs.

The greatest growth from 2001 to 2005 was in Accommodation and Food Services (1,470 jobs), Real Estate (1,397 jobs), Health Care (1,081 jobs), Administrative and Waste Services (953), and Construction (927 jobs). Together, these sectors accounted for 63 percent of total job growth.

Table 3
Total Employment by Industry: Coconino County, 2001-2005
Housing and Community Sustainability Nexus Study

Industry	2001	2002	2003	2004	2005	Change 2001-2005	
						Total #	Ann. # Ann. %
Agriculture & Natural Resources	(D)	290	228	236	237	--	--
Mining	(D)	253	296	319	261	--	--
Utilities	199	193	154	100	109	-90	-23 -14.0%
Construction	4,018	4,155	4,279	4,700	4,945	927	232 5.3%
Manufacturing	3,071	3,252	3,298	3,476	3,666	595	149 4.5%
Wholesale trade	904	883	878	960	1,037	133	33 3.5%
Retail trade	8,620	8,888	8,782	9,015	8,983	363	91 1.0%
Transportation and warehousing	2,111	2,144	2,120	2,055	2,279	168	42 1.9%
Information	768	715	732	734	812	44	11 1.4%
Finance and insurance	1,640	1,588	1,687	1,701	1,732	92	23 1.4%
Real estate and rental and leasing	3,053	3,067	3,330	3,577	4,450	1,397	349 9.9%
Professional and technical services	3,059	3,201	3,297	3,435	3,820	761	190 5.7%
Management of companies and enterprises	180	124	105	107	135	-45	-11 -6.9%
Administrative and waste services	2,263	2,316	2,702	3,122	3,216	953	238 9.2%
Educational services	694	744	810	875	970	276	69 8.7%
Health care and social assistance	7,117	7,429	7,998	7,914	8,198	1,081	270 3.6%
Arts, entertainment, and recreation	2,633	2,562	2,633	2,795	2,724	91	23 0.9%
Accommodation and food services	10,254	10,272	10,267	11,143	11,724	1,470	368 3.4%
Other services, except public administration	3,436	3,577	3,633	3,779	4,057	621	155 4.2%
Government and government enterprises	15,806	15,632	15,921	15,914	16,156	350	88 0.5%
Federal	3,557	3,614	3,664	3,467	3,334	-223	-56 -1.6%
State & Local	12,249	12,018	12,444	12,738	12,822	573	143 1.1%
State	(D)	(D)	(D)	(D)	5,747	--	--
Local	(D)	(D)	(D)	(D)	7,075	--	--
Total Non-Farm Employment	70,309	71,285	72,850	75,957	79,511	9,202	2,301 3.1%

Note: (D) indicates data suppressed for privacy.

Source: US Bureau of Economic Analysis, Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-SEA_Empl.xls[2001-2005]

Each industry in the County is shown as a percentage of total jobs in **Table 4**. In 2005, Government accounted for 20 percent of total jobs, follow by Accommodation and Food Services with 14.7 percent, Retail Trade with 11.3 percent, Health Care with 10.3 percent, Construction with 6.2 percent, Real Estate with 5.6 percent, and Manufacturing with 4.6 percent. The presence of significant employment in Government, Health Care, and Manufacturing give Coconino County some economic diversity that distinguishes it from other largely rural counties that rely solely on tourism, or are transitioning from natural resource-based economies.

The change in the percentages from 2001 to 2005 can provide an indication of how an economy is changing. In Coconino County there have not been any major shifts in the economic base since 2001, indicating that economic diversity is being maintained. However, there are some emerging trends that suggest shifts that should be monitored. Construction's share of total jobs increased by 0.5 percent, as did Real Estate with an increase of 1.3 percent. These small shifts are related to the recent increases in residential and non-residential construction, and indicate a growing real estate and construction segment characteristic of a shift towards more tourism, second home, and retirement-related growth.

Table 4
Industry Employment as Percent of Total: Coconino County, 2001-2005
Housing and Community Sustainability Nexus Study

Industry	2001	2005	Change
Agriculture & Natural Resources	---	0.3%	---
Mining	---	0.3%	---
Utilities	0.3%	0.1%	-0.1%
Construction	5.7%	6.2%	0.5%
Manufacturing	4.4%	4.6%	0.2%
Wholesale trade	1.3%	1.3%	0.0%
Retail trade	12.3%	11.3%	-1.0%
Transportation and warehousing	3.0%	2.9%	-0.1%
Information	1.1%	1.0%	-0.1%
Finance and insurance	2.3%	2.2%	-0.2%
Real estate and rental and leasing	4.3%	5.6%	1.3%
Professional and technical services	4.4%	4.8%	0.5%
Management of companies and enterprises	0.3%	0.2%	-0.1%
Administrative and waste services	3.2%	4.0%	0.8%
Educational services	1.0%	1.2%	0.2%
Health care and social assistance	10.1%	10.3%	0.2%
Arts, entertainment, and recreation	3.7%	3.4%	-0.3%
Accommodation and food services	14.6%	14.7%	0.2%
Other services, except public administration	4.9%	5.1%	0.2%
Government and government enterprises	<u>22.5%</u>	<u>20.3%</u>	-2.2%
Total Non-Farm Employment	100.0%	100.0%	

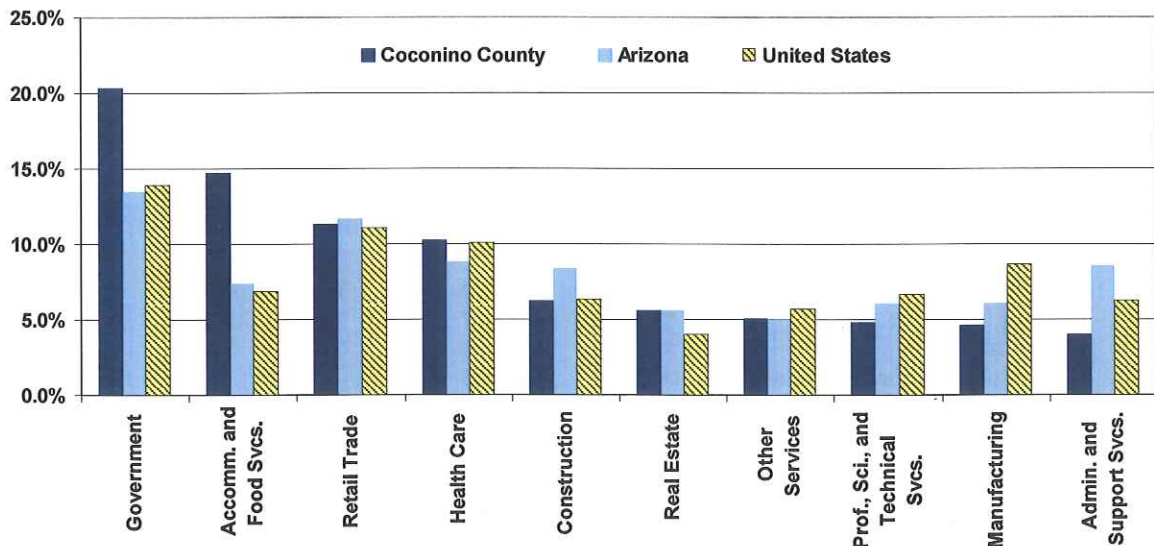
Note: (D) indicates data suppressed for privacy.

Source: US Bureau of Economic Analysis, Economic & Planning Systems
HY16891-Flagstaff Housing Nexus Study\Models\16891-BEA_Empl.xls\TotTotal

Compared to the State of Arizona, Coconino County has a similar economic composition, with some exceptions. Coconino County has a higher concentration of Government employment with 20 percent in the County compared to 13.5 percent in the State. Coconino County has approximately twice the concentration of Accommodation and Food Services employment with 14.7 percent compared to 7.4 percent in the State. The State as a whole has a higher concentration of employment in Construction with 8.4 percent compared to 6.2 percent in Coconino County.

Compared to the U.S. average, Coconino County has a higher concentration of Government employment and more than twice the concentration of Accommodation and Food Services employment. Coconino County has proportionally fewer jobs in Professional, Scientific, and Technical Services, Administrative and Support Services, and about half the proportion of Manufacturing jobs. All three sectors are typically more dominant in large urban areas.

Figure 4
Coconino County and Arizona Industry Employment, 2005
Housing and Community Sustainability Nexus Study



WAGES

Based on 2006 BLS data, the average hourly wage in Coconino County is \$15.50 (\$32,234 per year), as shown in **Table 5** which shows the average wage for nine major industries in the County. This compares to \$20.39 (\$42,417 per year) in the Phoenix area (Maricopa County) and \$19.23 (\$40,007) in the State of Arizona as a whole. These wage figures represent the average wages paid to employees including full- and part-time employment. The Accommodation and Food Services sector includes a large amount of part-time employment and has the lowest hourly wages at \$7.57 per hour. Although the industry is typically low paying, this figure does not account for gratuities. Retail Trade, which is 11 percent of all jobs, has an average hourly wage of \$11.26, which equates to \$23,414 per year based on 2,080 hours.

Flagstaff and Coconino County do have a number of industry sectors with higher wages. The average annual wage for Government employment is \$46,732 (\$22.47 per hour); Health Care and Social Assistance averages \$42,698; Professional, Scientific, and Technical Services jobs average \$38,546; and Manufacturing averages \$46,311.

Table 5
Wages by Industry: Coconino County, 2006
Housing and Community Sustainability Nexus Study

Industry	Average Wage (2006)	
	Annual	Hourly ¹
Government	\$46,732	\$22.47
Accomm. and Food Svcs.	\$15,751	\$7.57
Retail Trade	\$23,414	\$11.26
Health Care and Social Assistance	\$42,698	\$20.53
Construction	\$31,122	\$14.96
Real Estate	\$35,020	\$16.84
Other Services	\$35,635	\$17.13
Prof., Sci., and Technical Svcs.	\$38,546	\$18.53
Manufacturing	\$46,311	\$22.27
Coconino County Average	\$32,234	\$15.50
Maricopa County Average	\$42,417	\$20.39
State of Arizona Average	\$40,007	\$19.23

¹ Based on 2,080 hours per year.

Source: US Bureau of Labor Statistics, Economic & Planning Systems

H:\16991-Flagstaff Housing Nexus Study\Models\16991-BEA_Emply.xls\sheet1

In **Table 6**, the median wage by occupation for several occupations with a large presence in Coconino County and Flagstaff is compared to figures for Maricopa County. As shown, overall wages are 11 percent lower in Coconino County than in Maricopa County. Registered nurses earn 15 percent less than their peers in Maricopa County and medical information and record clerks earn 14 percent less. Flagstaff Medical Center is the largest health care employer, and adjusts wages to be competitive with Phoenix. However, other health care employers in Coconino County are included in these figures, which lower the overall median figures. Retail managers earn 7 percent less than retail managers in Maricopa County, computer programmers earn 3 percent less, and biomedical engineers earn 11 percent less. Police and sheriff's patrol officers earn 5 percent less.

Table 6
Occupational Wage Comparison: Coconino and Maricopa Counties, 2006
Housing and Community Sustainability Nexus Study

Job Category	Annual Median Wage		% Difference
	Coconino County	Maricopa County	
All Occupations	\$26,075	\$29,262	-10.9%
Life, Physical, & Social Science Technicians	\$29,816	\$39,187	-23.9%
Elementary School Teacher	\$35,932	\$32,420	10.8%
Secondary School Teacher	\$36,098	\$36,995	-2.4%
Registered Nurse	\$50,222	\$59,161	-15.1%
Medical Technician	\$28,344	\$27,475	3.2%
Medical Information & Record Clerks	\$22,875	\$26,666	-14.2%
Retail Sales Manager	\$32,688	\$35,244	-7.3%
Police & Sheriff's Patrol Officer	\$47,384	\$50,054	-5.3%
Computer Programmer	\$59,327	\$61,339	-3.3%
Biomedical Engineer	\$45,788	\$51,647	-11.3%
Production Occupations (All)	\$26,639	\$25,861	3.0%

Source: Arizona Department of Employment Security

H:\16891-Flagstaff Housing Nexus Study\Data\16891-WagebyIndustry.xls\1-15-08

PROPRIETOR EMPLOYMENT

Sole proprietors (self-employed) are a significant and growing portion of the local employment base, as shown in **Table 7**. Based on BEA figures, sole proprietors have increased from 16 percent of total jobs in 1990 to 24 percent in 2005. Sole proprietors accounted for 11,124 new jobs or 36 percent of the job growth from 1990 to 2005. Proprietor employment grew by 6.0 percent per year over this time period compared to 3.3 percent for all industries and ownership types (total employment).

Table 7
Proprietor Employment: Coconino County, 1990-2005
Housing and Community Sustainability Nexus Study

Employment Definition	1990	1995	2000	2005	Change 1990-2005		
					Total #	Ann. #	Ann. %
Total Employment	48,977	59,380	70,286	79,830	30,853	2,057	3.3%
Wage and salary employment	41,079	49,500	55,639	60,808	19,729	1,315	2.6%
Proprietors employment	7,898	9,880	14,647	19,022	11,124	742	6.0%
% Proprietors	16%	17%	21%	24%	36%	---	---

Source: Bureau of Economic Analysis
H:\16891-Flagstaff Housing Nexus Study\Models\16891-BEA_Empl.xls\1990-2005 Total

FLAGSTAFF AREA EMPLOYMENT

Employment data for the Flagstaff area was provided to the City by the Arizona Department of Economic Security; this is the most reliable data for sub-county employment estimates; however, it is not available to the public. Due to confidentiality requirements this data can only be shown in aggregate totals.

As shown in **Table 8**, there are approximately 38,000 wage and salary jobs in the Flagstaff area. Since businesses located outside City limits could still have a Flagstaff mailing address, there is some overlap of the data, therefore these estimates should be interpreted to include the City and nearby surrounding unincorporated areas. Nevertheless, it is the most accurate employment estimate for the City available. Adjusting wage and salary employment to total employment indicates a total of 47,700 jobs in the City.

As shown, the City has experienced strong employment growth since 2004, with 2,764 new wage and salary jobs since 2004, or an average of 1,382 per year. Employment growth in the City occurred at a strong rate of 3.8 percent per year from 2004 to 2006.

Table 8
Wage and Salary Employment: Flagstaff, 2004-2006
Housing and Community Sustainability Nexus Study

Quarter	2004	2005	2006	Growth 2004-2006		
				Total #	Ann. #	Ann. %
Annual Wage & Salary	35,362	37,555	38,126	2,764	1,382	3.8%
Q1	34,239	36,464	37,526			
Q2	35,248	37,717	38,545			
Q3	35,431	37,855	38,307			
Q4	36,531	38,183	---			
Total Employment ¹	44,203	46,943	47,657	3,454	1,727	3.8%

¹ Wage and Salary estimated to account for 80% of total employment.

Source: AZ Dept. of Empl. Security; City of Flagstaff

H:\16891-Flagstaff Housing Nexus Study\Models\16891-QCEW.xls\ES202_Trend

Employment in Flagstaff accounts for 65 percent of the wage and salary jobs in Coconino County, as shown in Table 9. Flagstaff has captured 58 percent of the County job growth since 2004.

Table 9

Wage and Salary Employment: Flagstaff and Coconino County, 2004-2006
Housing and Community Sustainability Nexus Study

Year	Flagstaff	Coconino County	Flagstaff % of County
2004	35,362	54,119	65%
2005	37,555	56,544	66%
2006	38,126	58,848	65%
Change 2004-2006	2,764	4,729	
Ann. Change	1,382	2,364	
Share of Total Growth	58%	100%	

Source: AZ Dept. of Empl. Security; Economic & Planning Systems
 H:\16891-Flagstaff Housing Nexus Study\Models\16891-QCEW.xls\Sheet4

MAJOR EMPLOYERS

Flagstaff's largest employers are listed in **Table 10**. The largest employer is Northern Arizona University with 3,400 employees. Flagstaff Medical Center is the second largest employer with approximately 2,000 employees. The largest private employer, and largest manufacturer, is W.L. Gore, a medical equipment and high technology textile company with 1,634 employees. There are four other significant manufacturing companies: SCA Tissue (paper products) with 279 employees; Nestlé Purina (pet products) with 217 employees; Joy Cone (ice cream cones) with 124 employees; and PRENT Thermoforming (injecting molding) with 93 employees.

Table 10
Flagstaff Area Major Employers
Housing and Community Sustainability Nexus Study

Industry	Notes	Full & Part Time Employees
Private Industry		
W.L. Gore & Associates	Medical equipment mfg.	1,634
Walgreens Distribution		400
Grand Canyon Railway		400
SCA Tissue	Commercial Paper Products	279
Pepsi Cola		250
New England Business Services	Telemarketing	185
Nestlé Purina	Pet food mfg.	217
Joy Cone	Ice cream cone mfg.	124
PRENT Thermoforming	Injection molding mfg.	93
Arizona Public Utilities	Public utilities (electric)	100
Southwest Windpower	Wind turbine mfg.	77
Public and Institutional		
Northern Arizona University		3,393
Flagstaff Medical Center		2,000
Flagstaff Unified School District		1,700
Coconino County		1,075
City of Flagstaff		948
Coconino County Community College		400
U.S. Forest Service	Incl. seasonal employees	190
U.S. Geological Survey		167

Source: Greater Flagstaff Economic Council, Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-CBP_BEA_2004.xls\MajorEmpl

In other industries, there is a Walgreens distribution center with 400 employees. The Grand Canyon Railway (recently purchased by Xanterra Parks and Resorts) provides rail access to the Grand Canyon and employs 400 during the summer season. The largest government employers are Northern Arizona University (3,393 employees), Coconino County (1,075 employees), and the City of Flagstaff (948 employees). Major Federal employers include the U.S. Forest Service (190) and the U.S. Geological Survey (167). Other Federal agencies in Flagstaff include the U.S. Customs and Border Patrol, Immigration and Naturalization, and the Drug Enforcement Agency.

EMPLOYER SURVEY

EPS worked with the Chamber of Commerce, the Flagstaff Independent Business Alliance, the Downtown Business Alliance, the Innkeepers, and Restaurateurs to survey local businesses. A total of 97 Flagstaff businesses replied to the survey, accounting for approximately 5,300 employees. EPS also conducted in-person interviews with several large employers to understand any labor force issues they are experiencing. While there is limited hard data on employee turnover rates and whether or not they have increased over time, the research has revealed a number of themes that suggest that businesses are experiencing increasing employee recruitment and retention problems.

As shown in **Table 11**, 61 percent of the businesses that responded were small with fewer than 10 employees. Only 10 businesses with more than 100 employees responded to the survey. Only 84 respondents out of 97 total answered this question. This information on business sizes is consistent with other sources.

Table 11
Survey Respondent Establishments by Number of Employees
Housing and Community Sustainability Nexus Study

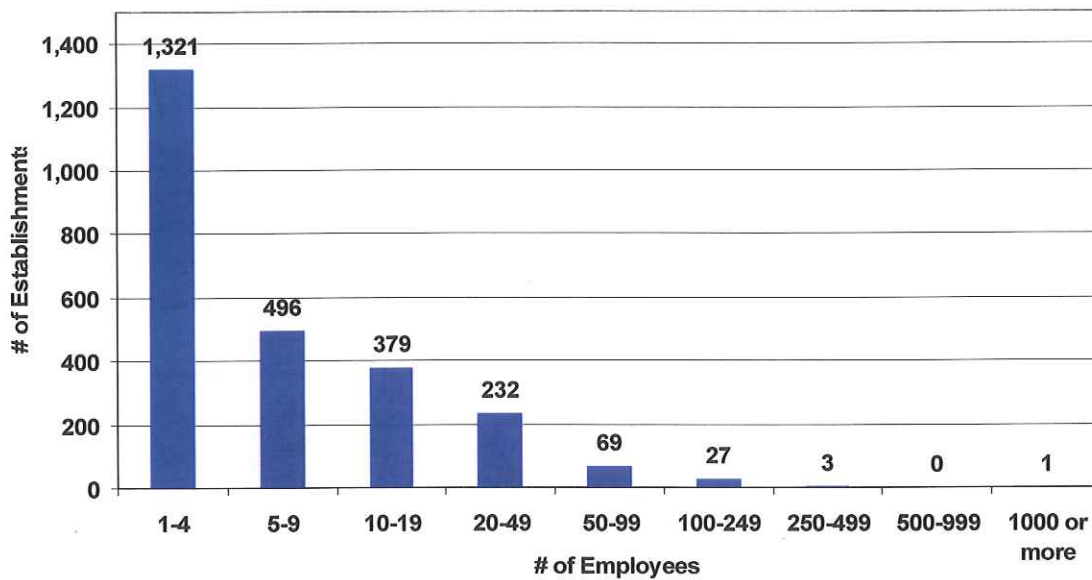
# of Employees	Establishments	Percent
1 - 9	51	61%
10 - 19	8	10%
20 - 29	5	6%
30 - 39	2	2%
40 - 49	0	0%
50 - 59	4	5%
60 - 69	1	1%
70 - 79	1	1%
80 - 89	1	1%
90 - 99	1	1%
100 - 124	3	4%
125 - 149	2	2%
150 - 174	1	1%
200 or more	<u>4</u>	<u>5%</u>
Total Establishments	84	100%

5,300 Employees Represented

Source: Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-EmpSurvey.xls#Employees

The most recent *U.S. Census County Business Patterns* survey (2004) found that 52 percent of businesses in the 86004 and 86001 zip codes have between one and four employees and that 20 percent have between five and nine employees. The Census identified 27 businesses with 100 to 249 employees, and only one with more than 1,000 employees. (County Business Patterns does not include government and hospital employees.)

Figure 5
Flagstaff Area Businesses by Employee Size Category
Housing and Community Sustainability Nexus Study



Source: US Census County Business Patterns, Economic & Planning Systems

EMPLOYEE TURNOVER AND RECRUITMENT

Employee turnover rates for six of the largest employers in Flagstaff are shown in **Table 12**. Even though Manufacturing is one of the highest paying industries in Flagstaff (with an average wage of \$44,900 per year), one major manufacturing firm experiences 100 percent annual turnover. The other major manufacturing employers report turnover rates ranging from 9 to 29 percent. One major institutional employer has documented 20 percent annual employee turnover. Representatives from Coconino County government provided estimates of 15 percent annual employee turnover, largely in public safety (sheriff, fire, emergency personnel) and public works. Flagstaff Medical Center, the largest institutional employer, is continually challenged by employee retention and has an annual turnover rate of 20 percent.

Table 12
Employee Turnover for Selected Businesses
Housing and Community Sustainability Nexus Study

Business	Industry	Employees	Avg. Starting Wage	Typcial Ann. Raise	Ann. Employee Turnover
A	Manufacturing	50 - 99	\$11.00	2% - 4.9%	100%
B	Manufacturing	50 - 99	\$8.50	5% - 7.5%	29%
C	Manufacturing	>500	\$12.50	2% - 5%	9%
D	Manufacturing	100 - 500	\$17.50	2% - 5%	19%
E	Manufacturing	50 - 99	\$20.00	7.5% - 10%	16%
F	Institutional	>500	\$13.05	0	20%

Source: Economic & Planning Systems

H:\16301-Flagstaff Housing Nexus Study\Models\16301-MajEmpSurvey.xls\Turnover

Current job openings confirm the information from the employer survey regarding recruitment problems in health care. The Arizona Department of Employment Security tracks some job openings in major cities. **Table 13** shows the current job openings in Flagstaff. There are currently 474 open positions reported. The occupation with the largest number of openings is health care, with 129 jobs open (27 percent of the total). This confirms information from the stakeholder interviews regarding recruitment challenges and increases in employee turnover rates at the Medical Center. The next largest category of open positions is Sales and Related jobs with 74 open positions, Management with 64, and Office and Administrative Support with 57.

Table 13
Flagstaff Job Openings by Occupation
Housing and Community Sustainability Nexus

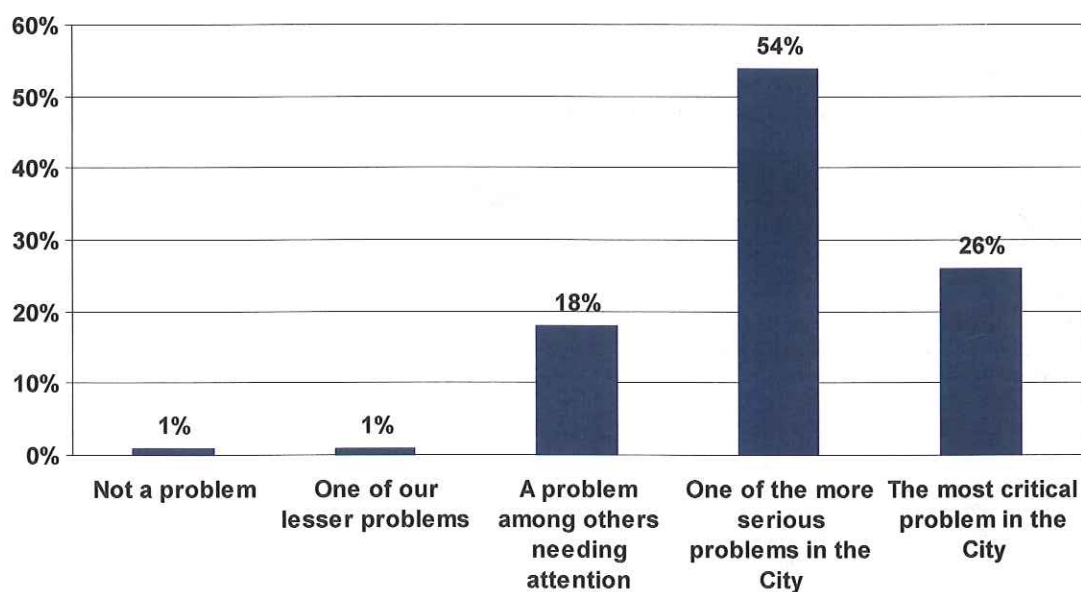
Occupation	City of Flagstaff	
	#	%
Architecture & Engineering	13	2.7%
Arts, Design, Entertainment, Sports & Media	0	0.0%
Building & Grounds Cleaning & Maintenance	11	2.3%
Business & Financial Operations	30	6.3%
Community & Social Services	3	0.6%
Computer & Mathematical	1	0.2%
Construction & Extraction	14	3.0%
Education, Training & Library	6	1.3%
Farming, Fishing & Forestry	1	0.2%
Food Preparation & Servicing	5	1.1%
Healthcare Practitioners & Technical	129	27.2%
Healthcare Support	7	1.5%
Installation, Maintenance & Repair	13	2.7%
Legal	1	0.2%
Life, Physical & Social Sciences	8	1.7%
Management	64	13.5%
Military	0	0.0%
Office & Administrative Support	57	12.0%
Personal Care & Service	2	0.4%
Production	12	2.5%
Protective Services	4	0.8%
Sales & Related	74	15.6%
Transportation & Material Moving	17	3.6%
Unclassified	2	0.4%
Total	474	100.0%

Source: AZ Dept. of Economic Security; Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Data\16891-Employment&Unemployment.xls\Job Listings

Nearly all employers interviewed for this study indicated that employee recruitment is also becoming a serious issue. The Flagstaff Unified School District (FUSD) indicated that it receives fewer applications each year and that some entry-level teaching positions go unfilled due to a lack of qualified applicants. A common theme heard during interviews was that employers have noticed it is getting harder each year to attract and retain qualified employees. The relatively lower wages and higher housing costs, when compared to the Phoenix and Las Vegas metro areas, were often cited as major factors.

Employer representatives were asked to rank the issue of workforce or affordable housing compared to other pressing community issues. As shown in **Figure 6**, 54 percent ranked housing as a serious problem, and 26 percent ranked housing as the most critical problem in the City. In total, 80 percent of business representatives indicated that housing is a serious problem.

Figure 6
Employers' Ranking of Workforce Housing Concerns
Housing and Community Sustainability Nexus Study



Businesses were also asked about their expansion plans in the next year and the next five years. Within the next year, 41 percent expect to hire more people and 49 percent expect to stay at the same number of employees, as shown in **Table 14**. A small minority of businesses plan to relocate and move out of the Flagstaff area. Within five years, half of businesses surveyed indicate an expectation that they will grow, and 37 percent expect to remain at the same size. Five percent anticipate relocating outside Flagstaff. While this is a small percentage, the City should be concerned and continue to keep current with local business conditions and be proactive with business retention.

Table 14
Short and Long Term Business Plans
Housing and Community Sustainability Nexus Study

Plan to do	Overall %
Within 1 Year	
Increase number of employees	41%
Stay about the same	49%
Relocate business outside Flagstaff area	4%
Don't know / unsure	<u>6%</u>
Total	100%
Within 5 Years	
Increase number of employees	51%
Stay about the same	37%
Relocate business outside Flagstaff area	5%
Don't know / unsure	<u>7%</u>
Total	100%

Source: Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-EmpISurvey.xls\1_5 Yr Plan

The average wage for entry-level employees in the businesses surveyed is \$13.12, as shown in **Table 15**. This figure compares closely to the \$15.50 per hour average for Coconino County published by the U.S. Bureau of Labor Statistics. Fifteen percent of employers surveyed start entry-level employees at approximately \$9.00 per hour, and 32 percent start employees at \$10.00 per hour. In total, 73 percent of the businesses surveyed have starting entry-level wages in the \$9.00 to \$15.00 per hour range. Only 12 percent report starting wages above \$20 per hour.

For comparison, one earner making \$46 per hour (approximately \$96,000 per year) or two earners making \$23.00 per hour could afford the median home price of \$380,000. This indicates that housing costs are not tied to local wage levels.

Table 15
Average wage for New Entry-level Employees
Housing and Community Sustainability Nexus Study

Average Wage	Responses
\$7.00	3%
\$8.00	9%
\$9.00	15%
\$10.00	32%
\$11 - 15	26%
\$16 - 20	3%
\$21 - 25	6%
\$26 - 30	3%
\$31 or more	3%
Total	100%
Average	\$13.12

Source: Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-EmpSurvey.xls]FTWage

The two most common reasons cited for employee turnover were moving on to other opportunities (34 percent) and high housing costs and cost of living (31 percent), as shown in **Table 16**.

Table 16
Primary Reasons Cited for Employee Turnover
Housing and Community Sustainability Nexus Study

Reason	% of Responses
Employees move on to other opportunities	34%
High housing costs and cost of living	31%
Other	19%
Don't know / unsure	9%
Longevity not expected in this type of position	6%
Total	100%

Source: Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-EmpSurvey.xls\Turnover

HOUSING COSTS

Housing prices have been growing at a much more rapid pace than wages and income in Flagstaff. Since 2000, the median housing price has increased by 14.9 percent per year to reach \$380,000 in 2006, as shown in **Table 17**. By contrast, wages increased at an average annual rate of just 3.5 percent from 2000 to 2006. Median household income grew just 2.6 percent per year from 2000 to 2006. The housing market is evaluated in more detail in Chapter IV.

Table 17
Wage, Income, and Home Price Comparison, 2000-2006
Housing and Community Sustainability Nexus Study

Year	Home Price ¹		Average Ann. Wage		% Change in CPI ³	Affordability Index	
	Median \$	% Change	Median \$	% Change		Price / Wage	Price / Income
2000	\$165,000	---	\$26,196	---	---	6.3	4.3
2001	\$177,250	7%	\$27,449	5%	3.7%	6.5	---
2002	\$192,000	8%	\$27,783	1%	2.0%	6.9	---
2003	\$215,000	12%	\$28,346	2%	2.2%	7.6	---
2004	\$245,700	14%	\$29,177	3%	2.5%	8.4	---
2005	\$332,000	35%	\$30,515	5%	3.4%	10.9	---
2006	\$380,000	14%	\$32,234	6%	3.9%	11.8	8.4 ²
Ann. Rate 2000-2005		14.9%		4.2%	2.8%		

¹ Median for all unit types.

² The median household income in 2006 was \$45,000.

³ Consumer Price Index for Western urban areas.

Source: State of Arizona CIS Dept; US Bureau of Labor Statistics; Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-sales_10-11-07.xlsJT-17

The growth of income and wages indicates little real growth when compared to the rate of inflation, which was 2.8 percent per year during this time period. Since 2000 housing prices in Flagstaff have increased at a rate 4.25 times faster than wages. In 2006, the median home price in Flagstaff was 11.8 times the average annual wage, up from 6.3 in 2000. In 2006, the median home price was 8.4 times median household income, up from 4.3 in 2000. This gap between home prices and wages indicates that market forces other than the local economic base and wages are driving home prices. These factors are explored in more detail in Chapter IV of this report. Second homebuyers and the rapid housing inflation in the Southwest, which is driven by historically low interest rates and aggressive lending, are influencing Flagstaff.

As shown in **Table 18**, at the median home price of \$380,000 in 2006, the monthly mortgage payment is \$2,800 assuming a 5 percent down payment, a 30 year mortgage with a fixed 7.0 percent interest rate, insurance, PMI, and taxes. Using an affordability standard of 35 percent of income to housing costs, this mortgage payment requires an annual income of \$96,000 compared to the median income of \$45,000. This would be equivalent to one person who earns \$46 per hour, or two people earning \$23.

Table 18
Wage and Income Required to Afford Median Home Price
Housing and Community Sustainability Nexus Study

Description	Factors	
Median Home Price in 2006		\$380,000
Mortgage Amount	95%	\$361,000
Monthly Payment (30 years, 7.0%)		\$2,402
Insurance		\$70
PMI		\$160
Taxes		\$170
Monthly Housing Payment		\$2,802
Income Required	35%	\$96,000
Equivalent Wage		
One Earner	2,080	\$46.00
Two Earners		\$23.00

Source: Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-Gap2006-10-11-07.xls[T-18-MedianPrice

PEER COMMUNITIES

The median household income and median home price for Flagstaff in 2006 are compared to several other mid-sized western cities and mountain communities. The peer communities were selected based on size, geographic setting, and other characteristics such as a mountain setting or the presence of a major university.

Missoula, Montana has the lowest priced housing with an average price of approximately \$205,000, as shown in **Table 19**. Missoula's home price is 5.7 times household income. The median home price in Phoenix is approximately \$265,000 compared to a median household income of \$45,500, which is 5.8 times the median household income.

Flagstaff falls towards the lower end of the spectrum in terms of affordability and is exceeded only by Durango, Colorado. The two communities are fairly good comparisons, as both have serious affordability and workforce housing issues that are compounded by an isolated geographic location, a mountain setting that attracts second homebuyers, a college or university, water constraints, and a limited supply of developable land in close proximity to jobs. In 2006, Flagstaff's median home price was \$380,000, which was 8.4 times the median household income. Durango had a median home price of \$395,000, which was 9.8 times household income.

Table 19
Peer Community Home Prices and Household Incomes in 2006
Housing and Community Sustainability Nexus Study

Location	Median Household Income in 2006 ¹	Median Home Price in 2006 ²	Ratio: Home Price / Income
Missoula, MT	\$36,265	\$205,000	5.7
Fort Collins, CO	\$53,642	\$212,000	4.0
Phoenix, AZ	\$45,523	\$264,900	5.8
Bozeman, MT	\$38,770	\$268,500	6.9
Flagstaff, AZ	\$45,000	\$380,000	8.4
Durango, CO	\$40,436	\$395,000	9.8

¹ Median household income for all households

² Includes all home types (single family and condo/townhome units)

Source: Claritas; Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Data\16891-City Comps.xls\Median '06

POPULATION AND HOUSEHOLDS

The State of Arizona Department of Economic Security (DES) publishes municipal population estimates each year. DES estimates population at the municipal level by adding new housing construction to the existing housing unit count from the 2000 Census, and applying vacancy rates from the 2000 Census to the updated housing unit counts. This method is known as the housing unit method (HUM), and is a common method for estimating population. It is generally accurate in conventional metropolitan housing markets without a significant second home or seasonal occupancy component. In mountain communities and resort settings, this method can overestimate permanent population if the base figures (in this case vacancy and second home estimates from the 2000 Census) are too low. DES population estimates were found to be generally accurate, although the Census and DES allocations of permanent resident and second home housing units underestimate second homes, as shown later in this chapter.

The most recent population estimate for Flagstaff from DES is 62,030, or 47 percent of the County population of 130,270, as shown in **Table 20**. Approximately 56,720 people live in unincorporated Coconino County, or 43 percent of the County total. This includes approximately 20,000 people living within the Flagstaff Metropolitan Planning Organization (FMPO) boundary. This brings the total FMPO area population to approximately 82,030.

Table 20
Population Trends, 1990-2006
Flagstaff Housing Nexus Study

Place	1990	2000	2006	Change 1990-2000		Change 2000-2006		Total Change
				Total #	Ann. %	Total #	Ann. %	
Flagstaff	45,857	52,894	62,030	7,037	1.4%	9,136	2.7%	16,173
Fredonia	1,207	1,036	1,120	-171	-1.5%	84	1.3%	-87
Page	6,598	6,809	7,230	211	0.3%	421	1.0%	632
Williams	2,532	2,842	3,170	310	1.2%	328	1.8%	638
Remainder of County	<u>40,397</u>	<u>52,739</u>	<u>56,720</u>	<u>12,342</u>	<u>2.7%</u>	<u>3,981</u>	<u>1.2%</u>	<u>16,323</u>
Coconino County	96,591	116,320	130,270	19,729	1.9%	13,950	1.9%	33,679
State of Arizona	3,665,228	5,130,632	6,305,210	1,465,404	3.4%	1,174,578	3.5%	2,639,982

Source: U.S. Census Bureau; AZ Dept. of Econ. Secur.; Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-Demog.xls\Pop Trends

Based on housing unit growth, DES estimates that Flagstaff's population has grown at 2.7 percent per year from 2000 to 2006, resulting in an addition of 9,136 residents. The population growth trends suggest a shift in growth patterns over the last 15 years. From 1990 to 2000, the growth of 7,037 people in Flagstaff accounted for 35 percent of the population increase in the County. From 2000 to 2006, DES estimates that 65 percent of the County growth occurred in Flagstaff.

A household is defined as a group of people living together in one housing unit. DES population estimates translate to approximately 22,641 permanent resident households in Flagstaff in 2006. DES estimates that there are a total of 45,391 households in Coconino County, as shown in Table 21.

Table 21
Household Trends, 1990-2006
Housing and Community Sustainability Nexus Study

Place	1990	2000	2006	Change 1990-2000		Change 2000-2006			Total Change
				Total #	Ann. %	Total #	Ann. #	Ann. %	
Flagstaff	14,417	19,306	22,641	4,889	3.0%	3,335	556	2.7%	8,224
Fredonia	384	359	388	-25	-0.7%	29	5	1.3%	4
Page	2,041	2,342	2,487	301	1.4%	145	24	1.0%	446
Williams	946	1,057	1,179	111	1.1%	122	20	1.8%	233
Remainder of County	<u>12,130</u>	<u>17,384</u>	<u>18,696</u>	<u>5,254</u>	<u>3.7%</u>	<u>1,312</u>	<u>219</u>	<u>1.2%</u>	<u>6,566</u>
Coconino County	29,918	40,448	45,391	10,530	3.1%	4,943	824	1.9%	15,473
State of Arizona	1,368,843	1,901,327	2,204,013	532,484	3.3%	302,686	50,448	2.5%	835,170

Note: 2006 Households calculated using 2006 Population / Population per Household from 2000 Census

Source: U.S. Census Bureau; AZ Dept. of Econ. Secur.; Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-Demog.xls\HH Trends

The average household size for the City of Flagstaff is 2.59 based on the U.S. Census estimated for 2000 shown in Table 22. The household survey found an average household size of 2.6, which compares closely with the Census figures.

Table 22
Average Household Size, Flagstaff
Housing and Community Sustainability Nexus Study

Descriptor	Survey 2007	Census 2000
Owners	2.63	2.88
Renters	2.58	2.57
Overall	2.60	2.59

Source: U.S. Census; Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-Demog.xls\HH Size

DEMOGRAPHIC CHARACTERISTICS

HOUSEHOLD COMPOSITION

Approximately half of the households in Flagstaff rent their home, as shown in **Table 23** and the proportions of renters and owners has not changed significantly since 1990. Flagstaff has a higher proportion of renters and a lower homeownership rate than the State of Arizona and the U.S. average. However, this is common in cities with a major university. For example, the City of Boulder, Colorado is 50.5 percent renters and 49.5 percent owners. The 2000 Census reported that 68 percent of homes in Arizona were owner-occupied while 32 percent were rented. The U.S. average is 66 percent owners and 34 percent renters.

Table 23
Tenure, 1990-2007
Housing and Community Sustainability Nexus Study

% of Households	1990	2000	2007 ¹
Flagstaff			
Owners	50%	48%	51%
Renters	<u>50%</u>	<u>52%</u>	<u>49%</u>
Total	100%	100%	100%
Arizona			
Owners	64%	68%	---
Renters	36%	32%	---
USA			
Owners	64%	66%	---
Renters	36%	34%	---

¹ 2007 Flagstaff Household Survey

Source: U.S. Census, Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-Demog.xls\Tenure

The most common household types in Flagstaff are couples with and without children. As shown in **Table 24**, 35 percent of households are couples without children and 34 percent are couples with children. Householders (adults) living alone are the next most common group at 17 percent. The survey reported unrelated roommates at 3 percent, compared to 11 percent in the 2000 Census, suggesting that this population group was under represented in the survey.

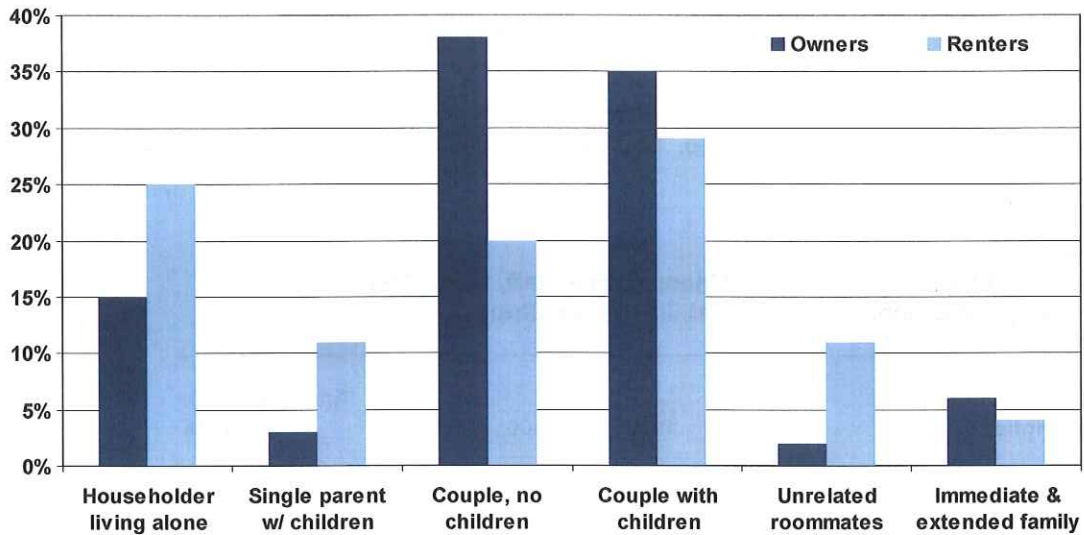
Table 24
Household Type: Flagstaff, 2000 and 2007
Housing and Community Sustainability Nexus Study

Household Type	Census 2000	Survey 2007
Householder living alone	22%	17%
Single parent w/ children	11%	5%
Couple, no children	26%	35%
Couple with children	24%	34%
Unrelated roommates	11%	3%
Immediate & extended family	<u>6%</u>	<u>5%</u>
Total	100%	100%

Source: U.S. Census; Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-Demog.xls\H Comp.

As shown in **Figure 7**, homeownership is most common among couples, suggesting that most homeowners pool incomes and financial resources. Single parents, people living alone, and unrelated roommates are most often renters.

Figure 7
Household Type by Tenure, 2007
Housing and Community Sustainability Nexus Study



HOUSEHOLD INCOME

The median household income in Flagstaff is \$45,000 for 2006, as shown in **Table 25**. The \$45,000 figure represents the median for all household sizes. The standard HUD income definitions are adjusted higher to reflect a family of four, and the HUD 2006 median family income for Flagstaff, more commonly known as the Area Median Income (AMI), is \$54,200. Household income has grown at 3.5 to 3.9 percent per year since 1990. Wages are the largest component of household income, and it was shown earlier that they have also grown at less than 4.0 percent per year. There has been little real growth in income or wages since 1990 as the rate of inflation (Consumer Price Index) was 2.8 percent per year from 1990 to 2006. This is consistent with statewide and national economic trends.

Table 25
Median and Average Household Income: Flagstaff, 1990-2006
Housing and Community Sustainability Nexus Study

Description	1990	2000	2006	Ann. % Change 1990-2006
Average Household Income	\$32,188	\$48,723	\$59,350	3.9%
Median Household Income	\$26,113	\$38,521	\$45,000	3.5%
Per Capita Income	\$10,556	\$17,139	\$21,486	4.5%
Consumer Price Index				2.8%
HUD Median Income, Family of 4	\$29,500	\$45,500	\$54,200	3.9%

Note: HUD defines median income based on a family of four. All other income figures represent all household sizes.

Source: Claritas, Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-Demog.xls\IH_Income

The distribution of households by income range is shown in **Table 26**. Each income range is shown in terms of its percentage of the AMI for Flagstaff for a 2.5 person average household size. HUD publishes household income definitions by whole person household size categories, and 2.5 represents the midpoint between a two and three person household, and compares closely to the 2.59 average household size in Flagstaff. The definition of median income is that half of the population has incomes higher than this figure, and half have lower incomes.

HUD defines “low income” households as those earning between 50 and 80 percent of AMI. “Very low income” households are those between 30 and 50 percent of AMI. The population between 0 and 30 percent of AMI are typically elderly people living on fixed incomes and people with special needs.

Table 26
Households by AMI Range: Flagstaff, 2006
Housing and Community Sustainability Nexus Study

AMI	Household Income Range ¹	All Households	Cumulative Percent
0 - 30%	\$0 - \$13,825	9.6%	9.6%
30.1% - 60%	\$13,826 - \$27,644	16.0%	25.6%
60.1% - 80%	\$27,645 - \$36,850	11.5%	37.1%
80.1% - 100%	\$36,851 - \$46,073	10.9%	48.1%
100.1 - 125%	\$46,074 - \$57,591	9.4%	57.5%
125.1 to 150%	\$57,592 - \$69,110	11.8%	69.3%
150.1 to 175%	\$69,111 - \$80,628	6.4%	75.7%
Over 175%	> \$80,628	<u>24.3%</u>	100.0%
Total		100.0%	

¹ Based on a 2.5 person household size. The HUD Median income for a family of 4 is \$54,200

Source: Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-AH_Indicators.xls\H_AMI

As shown, 10 percent of households are below 30 percent of AMI, and 16 percent are in the low income groups between 30 and 60 percent of AMI. Approximately 25 percent of Flagstaff households have incomes higher than \$81,000 or 175 percent of AMI. The 80 to 150 percent of AMI range is a common income range targeted for entry-level homeownership assistance programs in high cost mountain communities and is the income range for the CLTP. This range contains 32 percent of households. There is little state or federal funding available for housing programs above 80 percent AMI. Therefore, local land use policies and funding are needed to address housing affordability in high cost communities.

COMMUTING PATTERNS

In the Employer Survey, employers were asked to estimate where their employees live. As shown in **Table 27**, 81 percent of employees in Flagstaff businesses live within the City limits. Another 13 percent live in Greater Flagstaff, which was defined as areas such as Bellemont, Kachina Village, Doney Park, Fort Valley, and Mountainaire, indicating a total of 94 percent of employees live in the Flagstaff and Greater Flagstaff area.

Table 27
Place of Residence for Flagstaff Employees
Housing and Community Sustainability Nexus Study

Employee Place of Residence	Responses
Flagstaff	81%
Greater Flagstaff (FMPO area)	13%
Winslow Area	1%
Camp Verde area	1%
Sedona area	0%
Williams area	1%
Other	3%
Total	100.0%

Source: Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-EmpSurvey.xls\Where live

HOUSING TRENDS

In 2006, there were an estimated 25,120 housing units in the City of Flagstaff, as shown in Table 28. The estimate begins with the 2000 Census housing unit inventory and adds new construction building permits to estimate the total in 2006. From 1990 to 2000, the City added 5,117 housing units, or an equivalent average of 512 per year. From 2000 to 2006, the pace of housing growth increased by about 20 percent, to 615 new housing units per year, with 3,690 new homes added from 2000 to 2006. Based on DES population and household estimates, construction has exceeded household growth by approximately 10 percent. This indicates a combination of modest growth in second homes and increased construction speculation.

Table 28
Housing Units: City of Flagstaff, 2000-2006
Housing and Community Sustainability Nexus Study

Description	1990	2000	2006	Change 1990-2000		Change 2000-2006	
				Total #	Ann. #	Total #	Ann. #
Housing Units	16,313	21,430	25,120	5,117	512	3,690	615

Source: City of Flagstaff, Economic & Planning Systems
 H:\16891-Flagstaff Housing Nexus Study\Models\16891-Demog.xls\DU_Total

More recent residential construction is summarized in **Table 29** from the City of Flagstaff Development Services Division. The average annual housing unit growth from 1990 to 2000 was 512 units per year, and Flagstaff exceeded this average three times since 2000. In 2003, 733 new homes were constructed followed by 632 in 2005 and 674 in 2006.

Table 29
Residential Construction by Unit Type: Flagstaff, 1999-2006
Housing and Community Sustainability Nexus Study

Units in Structure	New Units Authorized by Building Permit								Total	
	1999	2000	2001	2002	2003	2004	2005	2006	1999-2006	Ann. #
Single Family										
Single Family Detached	207	212	307	283	308	300	279	216	2,112	264
Single Family Attached	72	31	152	177	121	16	82	198	849	106
Duplex	8	10	4	16	24	4	6	4	76	10
Total	287	253	463	476	453	320	367	418	3,037	380
Multifamily										
Three and Four	12	0	4	15	28	6	3	0	68	9
Five or More	239	92	16	6	252	0	262	256	1,123	140
Total	251	92	20	21	280	6	265	256	1,191	149
Total Construction	538	345	483	497	733	326	632	674	4,228	529
Percent of Total										
Single Family Detached	38.5%	61.4%	63.6%	56.9%	42.0%	92.0%	44.1%	32.0%	50.0%	
Single Family Attached	14.9%	11.9%	32.3%	38.8%	19.8%	6.1%	13.9%	30.0%	21.9%	
Multifamily	46.7%	26.7%	4.1%	4.2%	38.2%	1.8%	41.9%	38.0%	28.2%	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

Source: City of Flagstaff, Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-Demog.xls|Permits

From 1999 to 2006, 50 percent of new construction was in single family detached units, with 22 percent in single family attached units (townhomes and duplexes). The number of townhome units built each year appears to be increasing steadily. In 1999, 72 townhome units were built, and there were four years with more than 100 new townhomes built between 2001 and 2006. This likely reflects an increase in land costs for new development, which often creates a need for higher density development both for feasibility from the developer's perspective and to keep prices closer to what the market can support.

The remaining 28 percent of new construction from 1999 to 2006 was in multifamily units (apartments and stacked condominiums). Stacked multifamily construction continues to be a large part of housing construction in Flagstaff, with an average of 28 percent of new construction from 1999 to 2006 despite some years with very little multifamily construction. From 2000 to 2006 there were 884 multifamily units built in buildings with five or more units in a structure. There were also 233 low income housing tax credit (LIHTC) projects built during this time period, or 26 percent of multifamily construction.

The recent apartment-to-condominium conversions are not reflected in these totals as they are conversions of existing units, not net new construction. Approximately 900 apartment-to-condominium conversions have been completed, although there are development applications for about 1,200 units.

As shown in Table 30, new construction in unincorporated Coconino County has very different characteristics than Flagstaff. Housing construction in the unincorporated County has occurred fairly consistently with approximately two-thirds being single family detached and one-third manufactured housing. This is a reflection of the County zoning that is predominately for single family homes on 1 to 2.5 acre lots with some areas of smaller lots in the 6,000 to 18,000 square foot range (0.13 to 0.4 acres).

Table 30
Unincorporated Coconino County Housing Construction, 2000-2006
Housing and Community Sustainability Nexus Study

Housing Unit Type	2000	2001	2002	2003	2004	2005	2006	Total 2000-2006	Ann. #
Total									
Single Family Detached	307	360	371	395	847	341	355	2,976	425
Multi-Family	0	0	6	6	9	0	0	21	3
Manufactured	<u>247</u>	<u>198</u>	<u>190</u>	<u>181</u>	<u>201</u>	<u>198</u>	<u>206</u>	<u>1,421</u>	<u>203</u>
Total	554	558	567	582	1,057	539	561	4,418	631
Percent of Total									
Single Family Detached	55.4%	64.5%	65.4%	67.9%	80.1%	63.3%	63.3%	67.4%	
Multi-Family	0.0%	0.0%	1.1%	1.0%	0.9%	0.0%	0.0%	0.5%	
Manufactured	<u>44.6%</u>	<u>35.5%</u>	<u>33.5%</u>	<u>31.1%</u>	<u>19.0%</u>	<u>36.7%</u>	<u>36.7%</u>	<u>32.2%</u>	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Unincorporated Total	345	483	497	733	326	632	674	3,690	527

Source: Coconino County; Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-Demog.xls\Only_Permits

SECOND HOME ESTIMATES

The U.S. Census counts housing units by use in each decennial census, including classifying units as vacant or occupied. Vacant units are further separated into vacant for sale or rent; under construction; and vacant for seasonal, recreational, or occasional use. The vacant for seasonal and recreational use category represents second homes in most cases. City staff has indicated that Census counts were not accurate for Flagstaff and are therefore investigated in more detail here. According to the U.S. Census, second homes were approximately 5 percent of total housing units in 1990 and 2000, as shown in **Table 31**. An analysis of residential sales data presented later in this Chapter indicates that non-local buyers account for approximately 30 percent of home sales suggesting that the number of second homes is higher

Table 31
Housing Units by Vacancy Status: Flagstaff, 1990-2000
Housing and Community Sustainability Nexus Study

Vacancy Status	Housing Units		Percent of Total	
	1990	2000	1990	2000
For Rent	474	563	2.9%	2.6%
For Sale	103	195	0.6%	0.9%
Rent/Sold Not Occupied	215	68	1.3%	0.3%
Seasonal/Recreational	915	977	5.6%	4.6%
Migrant	0	0	0.0%	0.0%
Other	<u>189</u>	<u>287</u>	<u>1.2%</u>	<u>1.3%</u>
Total Vacant	1,896	2,090	11.6%	9.8%
Total Housing Units	16,313	21,430	100.0%	100.0%

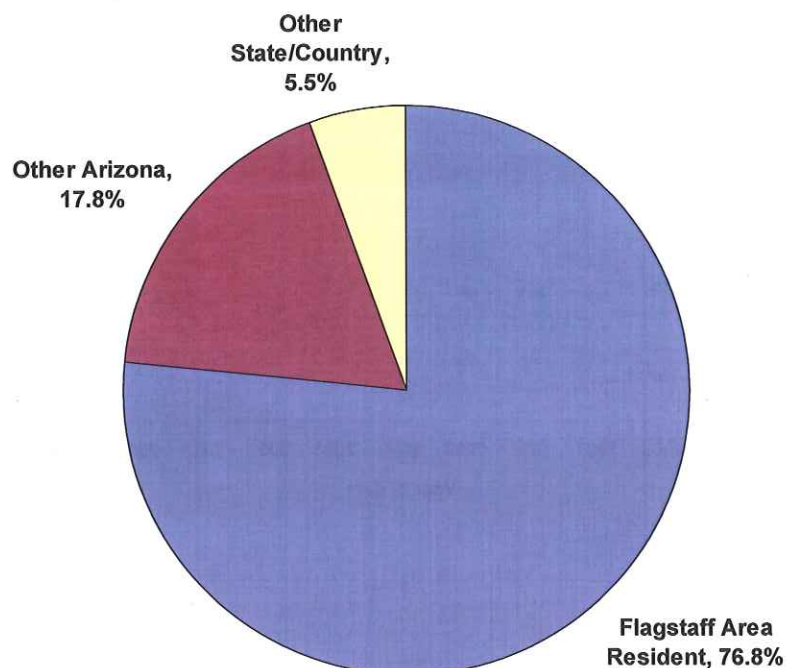
Source: US Census; Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-Demog.xls\CensusVacant

Other mountain and resort communities have suspected that the Census underestimates second homes; therefore this source of counting error is not unique to Flagstaff. The undercount comes from people filling out the Census form incorrectly, misrepresenting their true residence for tax purposes or other reasons, and/or Census takers misjudging the vacancy status of housing units.

Residential property (parcel) ownership in the City from the Coconino County Assessor's office was analyzed to provide an estimate of the percentage of residential property with an owner address outside of the Flagstaff area. Nearly 77 percent of residential property is owned by Flagstaff area residents compared to 23 percent for out-of-County residents, as shown in **Figure 8**. The findings are consistent with the findings of the recent NAU Bureau of Business and Economic Research study based on water billing records that estimated 74 percent of Flagstaff housing units are locally owned. Both studies also concluded that approximately three-quarters of second homeowners live in the greater Phoenix metropolitan area.

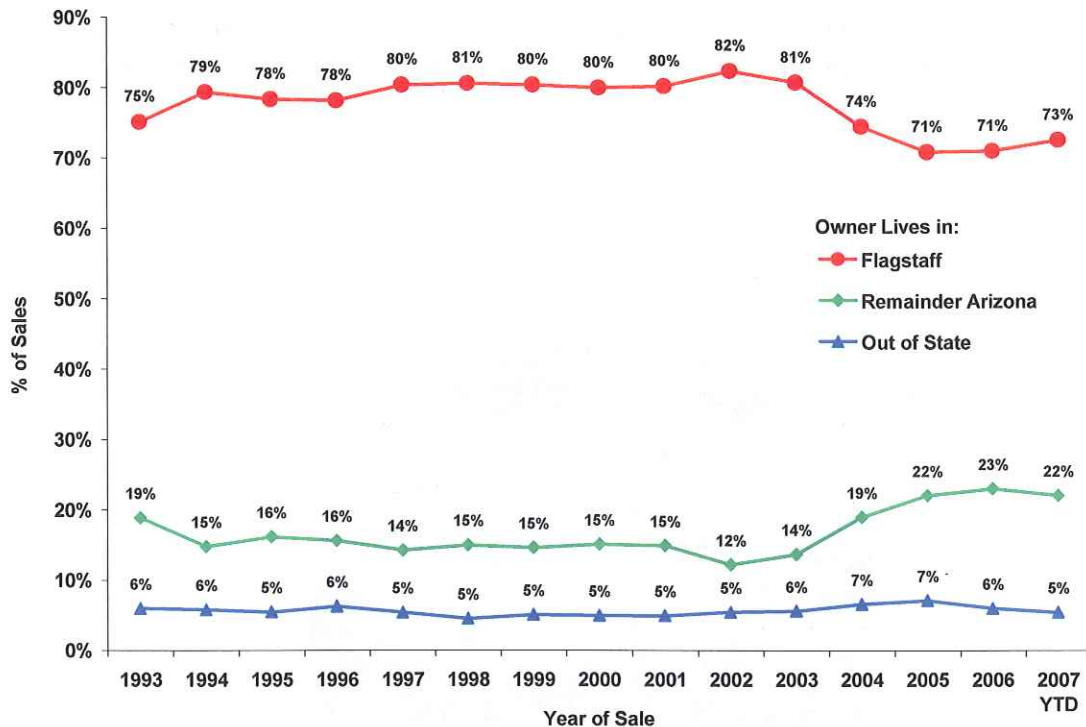
A portion of the properties owned by non-local residents are investment properties rented to either local Flagstaff residents or to students attending local schools. The survey of second homeowners completed as part of this study (non-local homeowners) found that 15 percent of outside-owned homes consist of investment properties rented to the local population and therefore function as homes for permanent residents.

Figure 8
City of Flagstaff Property Ownership
Housing and Community Sustainability Nexus Study



State Department of Revenue data on residential sales indicates that sales to non-local buyers, i.e., second homebuyers and investors, were approximately 20 percent of residential sales from 1994 to 2003, as shown in **Figure 9**. There was a sharp increase in non-local buyers in 2004 when they accounted for 26 percent of sales. In 2005 and 2006, non-local buyers and investors accounted for 30 percent of the market. As new construction becomes more expensive and as the overall market appreciates, it can be expected that second homebuyers will continue to increase. This data reflects sales of all condominium, townhome, and single family homes and includes resales of existing homes and new construction.

Figure 9
Home Sales by Owner Address, 1993-2007 YTD
 Housing and Community Sustainability Nexus Study



Based on the information presented above, a revised estimate of permanent resident and second home housing units is presented in **Table 32**. There are a total of 25,121 housing units in the City in 2006. Based on County assessor's data, 76.8 percent of properties are owned by residents or a total of 19,284 housing units. The remaining 5,837 housing units are owned by people living outside of Flagstaff.

The second home survey found that 15 percent of non-local homeowners rent their property to local residents or students. Therefore, approximately 876 units must be removed from the second home pool and put into the permanent resident category. An estimated 1,000 housing units are removed from the second home pool as an adjustment to account for large apartment complexes owned by outside investors. From assessor records, approximately one-third of apartment property is outside-owned. This is applied to an estimated apartment inventory of 3,300 units based on the 2000 Census. This leaves approximately 3,962, or approximately 4,000 second homes in the City, or 16 percent of the total. Permanent resident housing units are therefore estimated at 21,159 or 84 percent of the total. Therefore, it is estimated that second homes make up 16 percent of the housing stock.

Table 32
Estimated Second Homes: Flagstaff, 2006
Housing and Community Sustainability Nexus Study

Description	Number	% of Total Housing Units	Source / Notes
Housing Unit Inventory			
All Housing Units	25,121		2000 Census plus bldg. permits
% of Residential Property Owned Locally	76.8%		Coconino County Assessor Data
Locally Owned Housing Units	19,284		Occupied by Permanent Residents
Second Home Estimate			
Outside Ownership Housing Units	5,837	23.2%	Total minus locally owned
% Rented to Local Residents	15%		Second Home Survey
Minus Rented to Locals	-876		
Adjustment for Multifamily Rental Property	-1,000		Approx. 1/3 of apartment property is outside-owned
Estimated Second Home Units	3,962	15.8%	
Permanent Resident Housing			
Locally Owned Housing Units	19,284		
Plus Outside Owners Rented to Locals	876		Second Home Survey
Plus Multi Family Adjustment	1,000		
Estimated Permanent Resident Housing Units	21,159	84.2%	

Source: Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-PopEst_05-21.xls\2ndHomes

POPULATION ESTIMATE

Using the figures above, a revised population estimate for Flagstaff is shown in **Table 33**. The household population is estimated at 54,800. Accounting for group quarters including NAU students brings the total population to approximately 61,200, which is consistent with the published AZ DES estimate of 62,030 in 2006. The main differences are in the allocation of housing units. The Census reported 5 percent second homes, whereas this study estimates 16 percent. Including the estimated 20,000 people living in the FMPO boundary outside City limits, the total Flagstaff region population is estimated at 81,200.

Table 33
Flagstaff Population Estimate, 2006
Housing and Community Sustainability Nexus Study

Description	Number	Source / Notes
Occupied Housing Units	21,159	EPS Calculation
Average Household Size	<u>2.59</u>	2000 Census
Household Population	54,802	
Plus College Dormitories	6,000	NAU Administration
Plus Other Group Quarters	<u>409</u>	2000 Census
Total City Population	61,211	
FMPO Population	<u>20,000</u>	City and FMPO estimates
Total Region	81,211	

Source: Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-PopEst_05-21.xls\PopEst2

EMPLOYMENT AND HOUSEHOLD FORECAST

To estimate the future housing and labor force growth in the Flagstaff region, expected job growth is converted to household formation and housing units. As shown previously, the Flagstaff area added 1,380 wage and salary jobs per year since 2004, or 1,730 per year after adjusting to total employment. Carrying this growth trend out for 15 years results in 26,000 new jobs, as shown in **Table 34**. With an average of 2.0 jobs per household, as found in the household survey, job growth of 1,730 per year results in 865 new employee households each year and a total of 13,000 by 2021. This projection assumes that adequate developable land is available to accommodate this growth.

To be conservative, no vacancy factor is added to the new employee household growth, and these new households would be equivalent to 865 new housing units. Also, no increase in second homes is assumed. Second homes are currently approximately 20 percent of market activity and must be added to the household/housing unit demand, resulting in a regional housing demand for the Flagstaff area of 1,080 units per year.

The Flagstaff Area Regional Land Use and Transportation Plan estimates that 23 percent of regional growth will occur in the unincorporated areas of Flagstaff, and that the remaining 77 percent will occur in Flagstaff. This indicates that there will be demand for 830 new housing units in the City and approximately 250 per year in the County. The City has been adding 500 to 600 new housing units per year since 2000, which suggests that employment may be growing faster than the housing stock in Flagstaff and nearby unincorporated areas. If this trend continues, it will worsen affordability and labor force issues.

Table 34
Flagstaff Region Employment and Housing Projection
Housing and Community Sustainability Nexus Study

Description	Factors	2006	2011	2016	2021	Change 2006-2021
	<u>Ann. Job Growth</u>					
Total Employment	1,730 per yr.	46,400	55,050	63,700	72,350	25,950
Employee Households	2.0 jobs/HH	23,200	27,525	31,850	36,175	12,975
			<u>06-11</u>	<u>11-16</u>	<u>16-21</u>	
New Employee Households			4,325	4,325	4,325	12,975
New Housing Units Needed ¹	20%		5,406	5,406	5,406	16,219
Ann. Employee Households			865	865	865	
Ann. Housing Units			1,081	1,081	1,081	
Population ²	2.59	62,030	73,232	84,434	95,635	33,605

¹ Increased by 20% to account for second homes.

² Employee households times average household size. AZ DES estimates used as the 2006 base year number.

Source: Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-NeedForecast-05-07.xls\Empl

III. RESIDENT & SECOND HOMEOWNER SURVEYS

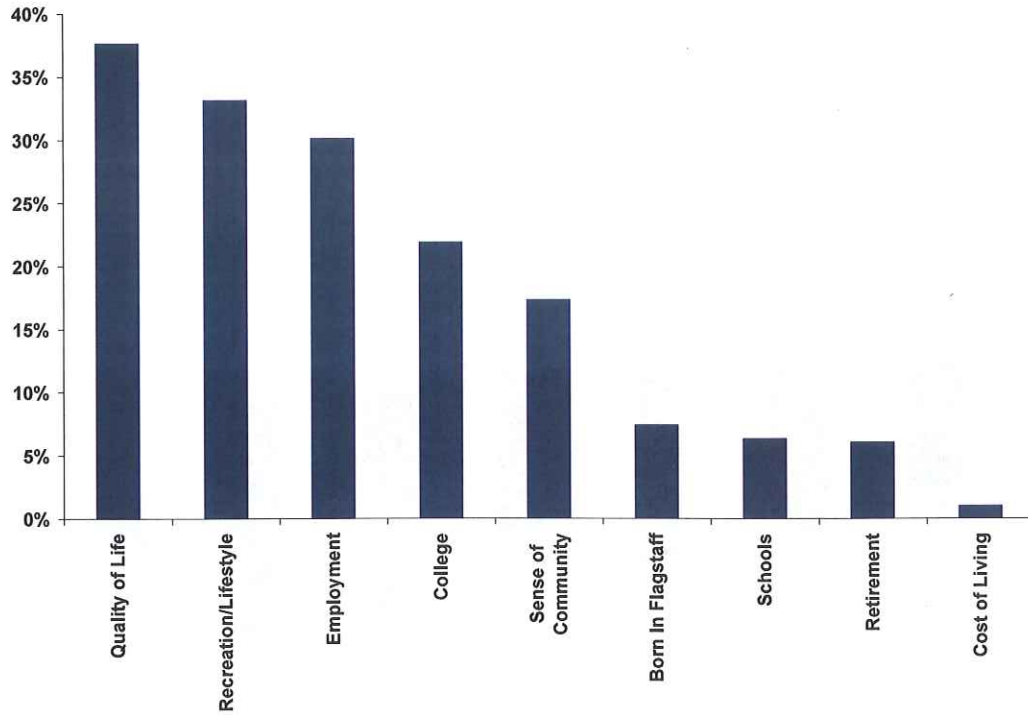
This chapter provides additional information on the characteristics and demographics of Flagstaff using information from the Flagstaff household and second homeowner surveys completed as part of this study. It also covers household and employer opinions on several housing and community quality of life issues.

FLAGSTAFF HOUSEHOLD SURVEY

EPS designed and RRC Associates fielded a survey of 3,500 households in the FMPO area. Eight hundred thirty surveys were returned for a 24 percent response rate. This is a good rate that gives a margin of error for survey results of plus or minus 5 percent. A copy of the survey is provided in the Appendix.

The primary reasons cited for moving to the Flagstaff area are quality of life (37 percent) and recreation opportunities and lifestyle (33 percent). The third most cited reason was employment opportunities (30 percent). Twenty-three percent cited "college," which is interpreted as working at NAU as it is unlikely that one-quarter of the population would attend NAU and remain in Flagstaff. Sense of community was another common reason for moving to Flagstaff with 18 percent of responses. Retirement was not a common reason with 6 percent of responses. The least often cited reason was cost of living with 2 percent of responses, further supporting the fact that Flagstaff does not have a competitive edge in housing and other cost of living factors.

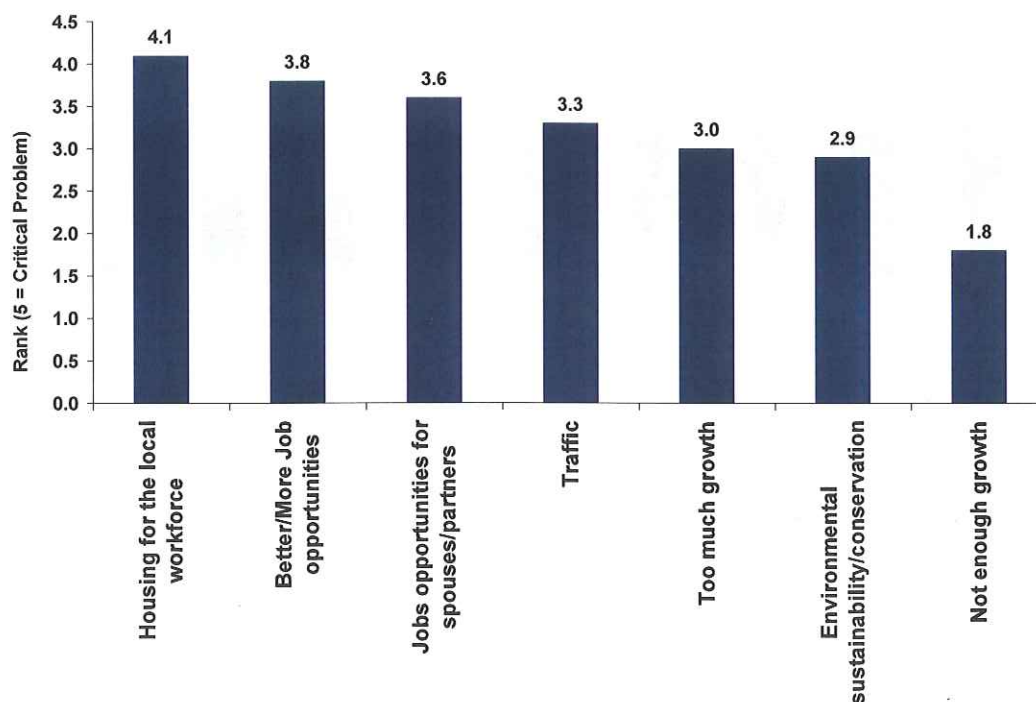
Figure 10
Reasons for Moving to the Flagstaff Area
Housing and Community Sustainability Nexus Study



Note: Total is more than 100% due to multiple response question.

The survey also asked people to rank several broad community issues in terms of their effects on quality of life on a scale of 1 to 5 with five being a critical problem. Housing for the local workforce was given the highest importance with an average rank of 4.1. Another important issue was better/more job opportunities with the second highest score of 3.8, followed by job opportunities for spouses at 3.6.

Figure 11
Average Ranking (1 to 5) for Quality of Life Issues
Housing and Community Sustainability Nexus Study



The survey asked residents to specifically rank the importance of affordable housing. A total of 49 percent of respondents' ranked affordable housing as one of the "more serious problems," while 29 percent ranked affordable housing as "the most serious problem." The combination of these two response categories indicates that 80 percent of Flagstaff area residents felt that housing is a serious community issue.

Table 35
Importance of Affordable Housing Issue
Housing and Community Sustainability Nexus Study

Affordable Housing is:	% of Responses
One of the more serious problems in the area	49%
The most serious problem	29%
A problem among others needing attention	18%
One of our lesser problems	3%
I do not believe it is a problem	1%

Source: RRC Associates

H:\16891-Flagstaff Housing Nexus Study\Models\16891-HH Survey.xls\Affordable Ranking

Residents were also asked, "If additional resources are made available for housing, how should they be allocated?" A majority, 68 percent of respondents, indicated that resources are needed for both rental and ownership opportunities, as shown in Table 36.

Table 36
Priority for Allocating Housing Resources
Housing and Community Sustainability Nexus Study

Resources should be allocated to:	Responses
Both Rental and Ownership	68%
Ownership units	22%
Rental units	5%
None of the above	5%

Source: RRC Associates

H:\16891-Flagstaff Housing Nexus Study\Models\16891-HH Survey.xls\Affordable Ranking

Affordable housing programs can serve a variety of income levels, therefore policymakers often need to define the groups of individuals that would be served by any potential housing programs. Survey participants were asked to rank several population groups in terms of their need for housing. A rank of 1 indicated that respondents disagreed that housing was needed for a certain group, while 4 indicated agreement on housing needs for a certain group. Affordable housing for seniors and the community workforce both received the highest scores at 3.8. However, all housing types from low income housing to housing for professional workers received a positive rank of 3.5 or greater, as shown in Table 37.

Table 37
Population Groups with Housing Needs
Housing and Community Sustainability Nexus Study

More Housing is Needed For:	Rank (4 = Strongly Agree)
Affordable housing for seniors	3.8
Affordable housing for essential community workers	3.8
Affordable housing for entry level workers	3.7
Housing for low income families	3.6
Moderate priced rental housing	3.6
Affordable housing for professional workers	3.5

Note: Ranking system on a scale of 1 (Strongly Disagree) to 4 (Strongly Agree)

Source: RRC Associates

H:\16891-Flagstaff Housing Nexus Study\Models\16891-HH Survey.xls\Housing Needs

Based on the employer survey, business representatives placed a higher priority on entry level for-sale housing with 90 percent, placing a rank of 4 or 5 on entry level for-sale housing. A total of 61 percent placed moderate to high priority on move-up for-sale housing for current homeowners, and 55 percent also indicated a moderate to high priority placed on additional rental housing.

Table 38
Employer Opinions on Housing Priorities
Housing and Community Sustainability Nexus Study

Market Segment	Low	-- Priority --			High
	1	2	3	4	5
Entry level for-sale housing	1%	2%	7%	31%	59%
Move-up for-sale for current homeowners	10%	14%	33%	28%	14%
Rental housing	9%	19%	29%	26%	18%

Source: Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-EmpSurvey.xls\PriorityHousing

Household respondents did not indicate confidence that the market will address the community's housing issues on its own and were favorably inclined to support local government involvement. The average rank for "market forces will address these needs on its own" was a 2.0 compared to an average rank of 3.4 for "local government should help provide affordable housing." The question "more high paying jobs are needed more than housing" received an average rank of 3.1, as shown in **Table 39**.

Table 39
Ranking of Possible Housing Solutions
Housing and Community Sustainability Nexus Study

Housing Solutions	Rank
	(4 = Strongly Agree)
Market will address these needs on its own	2.0
Local government should help provide affordable housing	3.4
Better/More Jobs needed more than housing	3.1

Note: Ranking system on a scale of 1 (Strongly Disagree) to 4 (Strongly Agree)

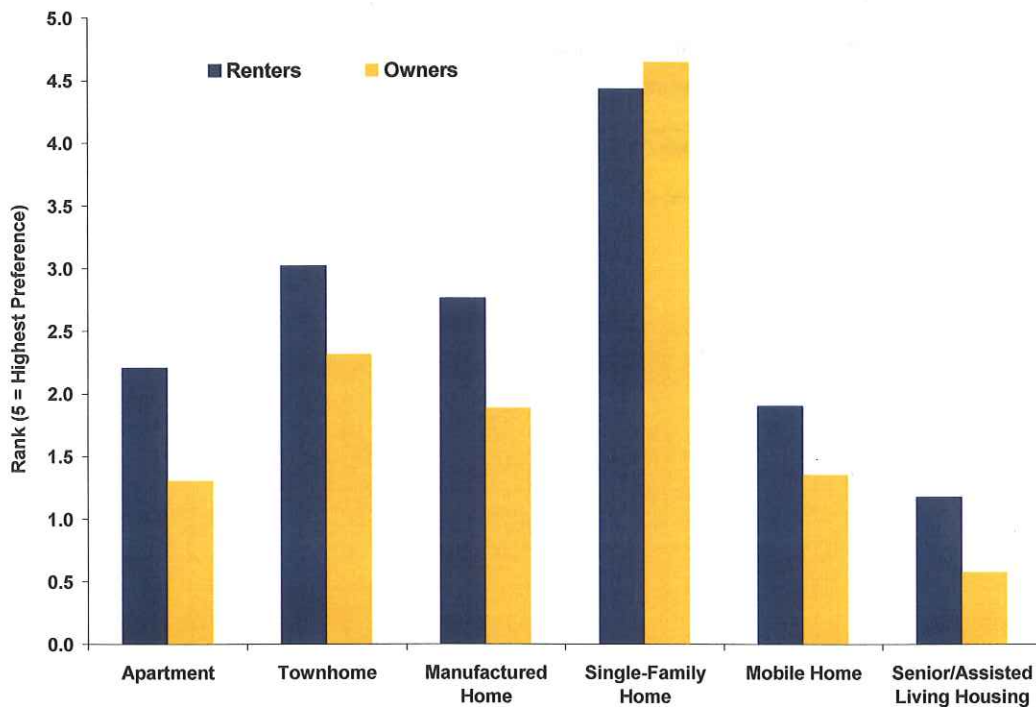
Source: RRC Associates

H:\16891-Flagstaff Housing Nexus Study\Models\16891-HH Survey.xls\HousingSolution

HOUSING PREFERENCE

The survey asked people to indicate their housing preferences by responding to the following question: "Rank your preference for the housing type you would look for in your next move." Consistent with local and national housing market trends, the single family detached home scored the highest with a score of 4.5 for renters and 4.7 for owners, as shown in **Figure 12**. Renters ranked townhomes, manufactured homes, and single family homes higher than apartments, suggesting that renters are interested in a variety of ownership opportunities.

Figure 12
Housing Preference Rankings
Housing and Community Sustainability Nexus Study



Owners indicated a preference for a three bedroom, two bath home as shown in **Table 40**. This is the most popular type of home in many housing markets across the country. Renters indicated that a slightly smaller home would be acceptable. The averages for renters translate to a desire for two and three bedroom homes with two bathrooms.

Table 40
Preferred Bedrooms and Bathrooms
Housing and Community Sustainability Nexus Study

Housing Preference	Renters	Owners
Garage Spaces Needed	1.6	2.3
Bedrooms Needed	2.6	3.1
Baths Needed	1.9	2.3

Source: RRC Associates

H:\16891-Flagstaff Housing Nexus Study\Models\16891-HH Survey.xls\BedBath #s

Residents were asked "Are you interested in buying a home in the next 3 years?" with a total of 57 percent responding in the affirmative. As shown in **Table 41**, when asked as a follow-up if they have wanted to buy a home and have not done so, the most common response was "total cost too high," with 81 percent of responses followed by 57 percent, indicating that a lack of a down payment also prevented them from buying a home. Note that for multiple response questions, the reported percentages are simply a measure of how common a response is and do not reflect the population as a whole. Fifty percent also responded that the housing they want to buy is not what they can afford, indicating a gap between what is available in the market at affordable price points and people's housing preferences.

Table 41
Primary Reason for Not Buying a Home
Housing and Community Sustainability Nexus Study

Primary Reason for Not Buying a Home	Total
Total cost too high	81%
Lack of adequate down payment	57%
Housing that I can afford is not what I want to buy	50%
Cannot qualify for a loan	28%
Have poor credit	20%
Cheaper to rent	13%
Intimidating loan process	12%
Other	10%
Does not apply to me	6%

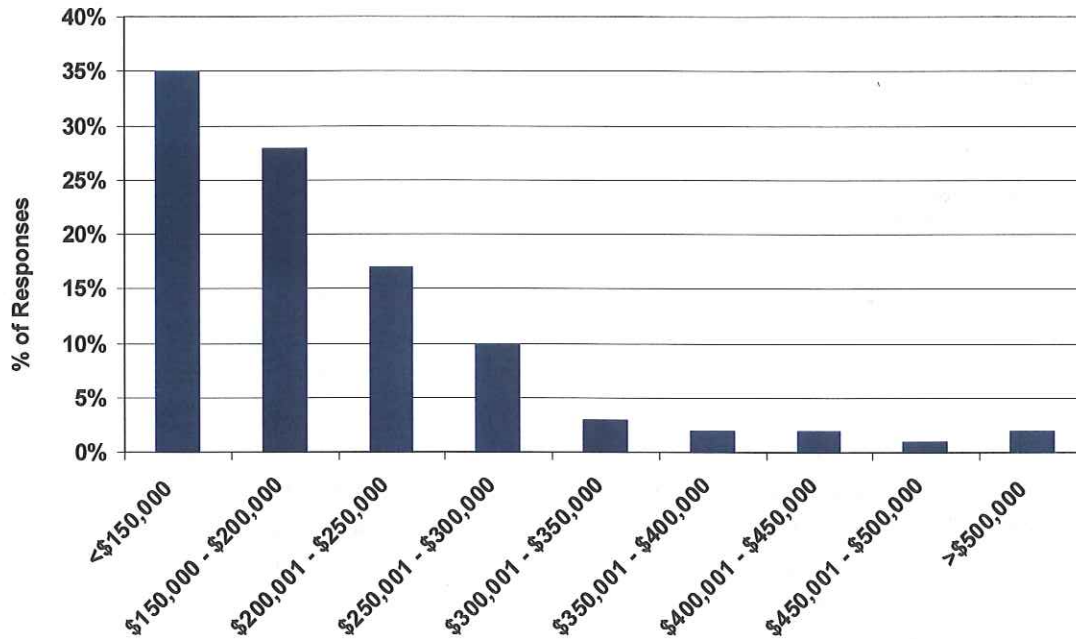
Note: Total is more than 100% due to multiple response question.

Source: RRC Associates

H:\16891-Flagstaff Housing Nexus Study\Models\16891-HH Survey.xls\NotBuy

The survey also asked: "If you are considering buying a home, what price range could you afford?" As shown in **Figure 13**, 78 percent of respondents indicated a desire for housing priced under \$250,000, including 35 percent looking for housing priced less than \$150,000, 27 percent looking for housing priced between \$150,000 and \$250,000, 27 percent looking for housing priced between \$150,000 and \$250,000, and 16 percent looking for housing priced from \$200,000 to \$250,000.

Figure 13
Price Ranges Affordable by Those Interested in Buying a Home
Housing and Community Sustainability Nexus Study



A closer review of the data by income range suggests that many people were optimistic in answering this question. For example, in 2006, approximately half the respondents in the 80 to 100 percent of AMI ranges indicated that they could afford a home in the \$200,000 to \$300,000 range. Using a 35 percent affordability standard (housing payment to income) suggests that these income groups can more realistically afford \$130,000 to \$170,000, assuming they have a 5 percent down payment.

SECOND HOME SURVEY

A central question in this study has been the characteristics and impacts of second homes and second homeowners. This section characterizes second home characteristics and quantifies their economic impacts to the City. First, survey information on second home usage patterns, physical characteristics, and second homeowner demographics are presented. Next, the economic impacts of second homes on City sales tax revenues are quantified.

EPS designed and RRC Associates fielded and analyzed a survey of Flagstaff area second homeowners. Using tax assessor property ownership records, 3,500 homeowners who live outside the greater Flagstaff area but who own homes in the area were surveyed. Of the 3,500 surveys mailed, 817 were returned for a 23 percent response rate. The survey data is considered to be statistically reliable with a margin of error of 3.7 percent. A copy of the survey is included in Appendix F.

A key survey question was: "How many nights did you use your Flagstaff home in 2006?" Second homeowners spent an average of 73 nights per year in Flagstaff, which is equivalent to 20 percent annual occupancy, as shown in Table 42. These figures do not include investment property. Median annual occupancy is 60 nights, or 16 percent of the year. These figures are consistent with second home survey data compiled by the Northwest Colorado Council of Governments for the central Colorado mountain region with an average annual occupancy of 23 percent.

Table 42
Second Home Occupancy
Housing and Community Sustainability Nexus Study

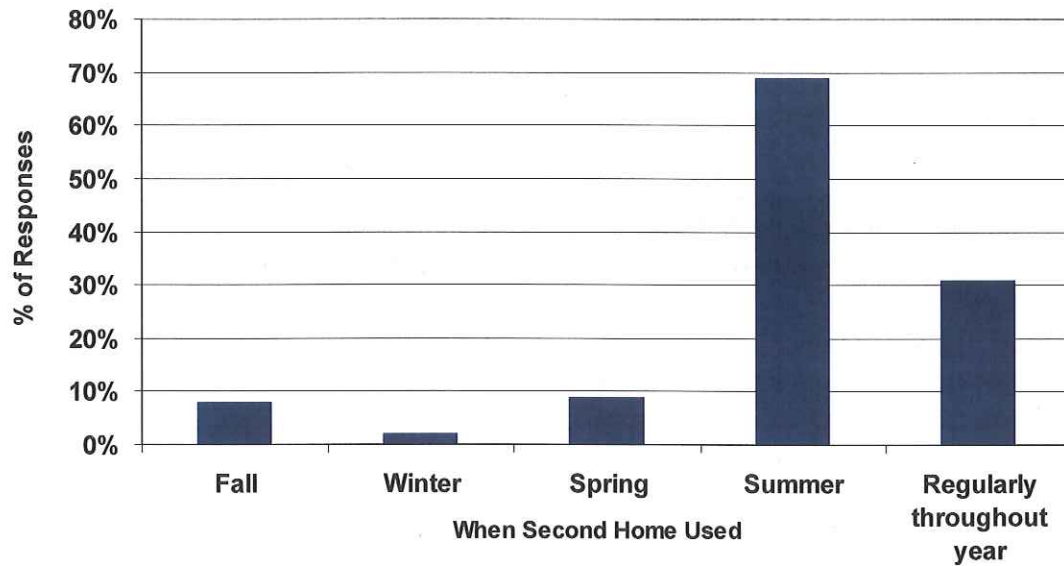
Second Home Occupancy	Nights	Annual %
Average	73	20%
Median	60	16%

Source: Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-2ndHomeSurvey.xls\Occupancy

Second home usage by owners in Flagstaff is predominately in the summer at 69 percent, indicating that they use their home primarily in the summer, as shown in Figure 14, while 31 percent indicated they visit it regularly throughout the year.

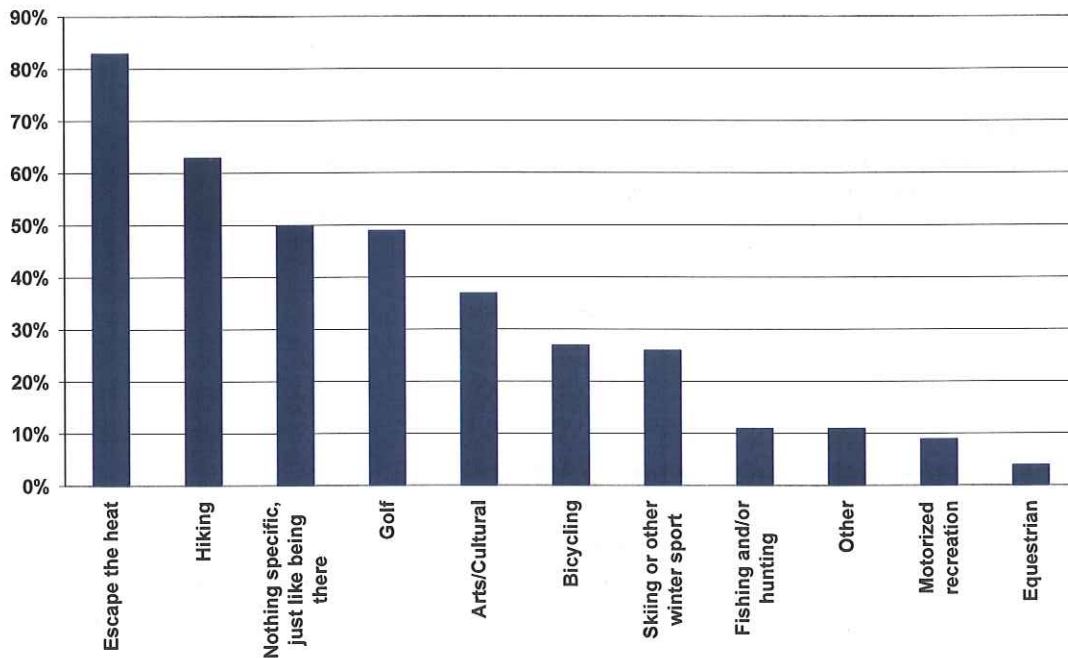
Figure 14
Second Home Seasonal Usage Patterns
Housing and Community Sustainability Nexus Study



Note: Total is more than 100 percent due to multiple response question.

The activities cited for coming to Flagstaff are summarized in **Figure 15**. The most common response for second homeowner activities in Flagstaff was “escape the heat,” with 82 percent of responses. Other popular activities include hiking and golf, and a general enjoyment of visiting Flagstaff. These activities further illustrate the summer peak in visitation.

Figure 15
Second Homeowner Activities
Housing and Community Sustainability Nexus Study



Note: Total is more than 100 percent due to multiple response question.

In some communities with a large number of second homes, there is often concern that they will be converted to permanent residences by people who retire to them. Only 13 percent of second homeowners indicated interest in retiring to their Flagstaff home, as shown in Table 43. A total of 42 percent indicated they intend to increase the use of their second homes, and 49 percent do not expect to change their usage.

Table 43
Second Home Intended Future Use
Housing and Community Sustainability Nexus Study

Intended Future Use	Responses
Increase my personal use	42%
No change / maintain current use	49%
Retire to the area and use as retirement residence	13%
Increase use by friends and family	12%
Sell property	6%
Use as a vacation or short-term rental unit	3%
Become a full-time resident and work in the area	3%
Decrease current personal use	1%
Other	1%

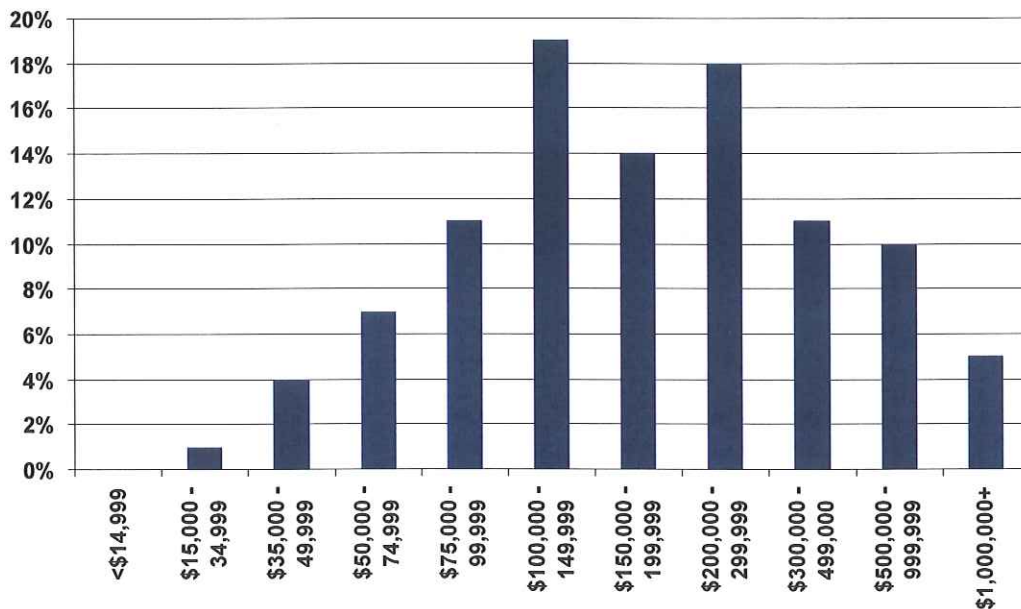
Source: Economic & Planning Systems

\\Epsdc01\Proj\16891-Flagstaff Housing Nexus Study\Models\16891-2nd-homeSurvey.xls\FutureUse

Approximately 3 percent of second homeowners rent their property as a short term vacation rental. Other than potential retirees, very few second homeowners (3 percent) intend to move to Flagstaff permanently and work in the area. Overall, second home usage patterns are not expected to change significantly in the future.

The average household income of second homeowners in Flagstaff is \$280,000 per year compared to an average of \$59,350 for the year-round population (the median income for permanent residents is \$45,000). The income distribution for second homeowners is shown in **Figure 16**. Approximately 19 percent of second homeowners have household incomes between \$100,000 and \$149,999; 15 percent have incomes between \$150,000 and \$199,999; and 44 percent have incomes above \$200,000.

Figure 16
Second Homeowner Household Income Distribution
Housing and Community Sustainability Nexus Study



As shown in **Table 44**, combining household income information with data on household composition indicates 48 percent are wealthy empty nesters; 27 percent are households or families with children; and 19 percent are couples without children.

Table 44
Second Homeowner Household Composition
Housing and Community Sustainability Nexus Study

Household	Repsonses
Single, no children	5%
Couple, no children	19%
Household with children at home	27%
Empty-nester, children no longer at home	48%
Total	100%

Source: Economic & Planning Systems

\\Epsdc01\Pro\16891-Flagstaff Housing Nexus Study\Models\16891-2ndHomeSurvey.xls\#Comp

SECOND HOME IMPACTS

This section estimates the sales tax revenue impacts to the City from second homeowner retail expenditures. The second homeowner survey asked homeowners to estimate their 2006 expenditures in the major store categories shown in Table 45.

Table 45
Second Homeowner Expenditure Patterns in 2006
Housing and Community Sustainability Nexus Study

Store Category	Second Homeowner Expenditures			Full Time Resident
	Average per Year	Avg. \$ per Day per Household 73 Days	Percent of Total	
Convenience Goods				
Groceries And Food For Home Consumption	\$1,340	\$18	17.6%	24.2%
Beer, Wine And Liquor Purchases At Stores	<u>\$260</u>	<u>\$4</u>	<u>3.9%</u>	<u>2.5%</u>
Subtotal	\$1,600	\$22	21.6%	26.8%
Shoppers Goods				
General Merchandise	\$1,010	\$14	13.7%	19.7%
Electronics, Appliances, Computers	\$430	\$6	5.9%	4.1%
Home Furnishings And Appliances	\$1,380	\$19	18.6%	9.2%
Apparel, Books, Music, Outdoor Equip., & Misc.	<u>\$560</u>	<u>\$8</u>	<u>7.8%</u>	<u>11.5%</u>
Subtotal	\$3,380	\$47	46.1%	44.6%
Eating And Dining At Restaurants	\$1,380	\$19	18.6%	16.6%
Home Improvements, Lawn And Garden	\$1,030	\$14	13.7%	12.1%
Total Retail Expenditures	\$7,390	\$102	100.0%	100.0%

Source: Economic & Planning Systems

\\Epsdc01\Proj\16891-Flagstaff Housing Nexus Study\Models\16891-Retail_5-30.xls\Adjusted

As shown, second homeowners reported that they spend an average of \$7,400 per household per year in the City on retail purchases. This is equivalent to \$102 per day, based on average visitation or occupancy of 73 days per year. Permanent residents generate approximately \$17,200 per household per year in retail expenditure potential.

The second homeowner expenditures reported reflect some large one-time purchases. Several high-income homeowners reported expenditures between \$20,000 and \$50,000 on home improvement along with home furnishings and appliances. It is therefore possible the survey sample may over-represent expenditures by recent buyers who are improving and furnishing their property. Some of these large one-time expenditures were removed from the sample; however, it is somewhat arbitrary to distinguish between large one-time expenditures and high annual expenditures from wealthy second homeowners. Over time, these expenditures would stabilize and result in a lower average annual expenditure figure.

As a percent of total retail purchases, second homeowner expenditures are higher than full-time residents in some categories and lower in some categories. Second homeowners spend proportionally more on beer, wine and liquor purchases; home furnishings; dining out; and home improvement. Second homeowners spend proportionally less on groceries; general merchandise (e.g., Target, Wal-Mart); and other Shoppers Goods such as apparel, books, music, outdoor equipment, and miscellaneous retail.

To estimate the total retail expenditure and sales tax impact of all second homeowners in Flagstaff, their total expenditure potential must be estimated. In **Table 46**, permanent resident and second homeowner retail expenditure potential is estimated. For permanent residents, expenditure potential is calculated by multiplying the average household income for the City by the percentage of household income spent on retail purchases. The average, rather than the median, is used to calculate total income and retail expenditures for all households.

The Census of Retail Trade for Arizona indicates that 29 percent of household income is allocated to retail purchases. This results in \$364 million in expenditure potential by residents. Second homeowner retail expenditures are simply the number of second homes multiplied by their reported expenditures from the survey. Second homeowners contribute an estimated \$29 million in retail sales, as shown.

Table 46
Residents and Second Homeowner Retail Expenditure Potential
Housing and Community Sustainability Nexus Study

Description	Value	Notes / Source
Permanent Residents		
Average Household Income	\$59,350	Average, not median, is used to calculate total retail purchases by all households US Census of Retail Trade
% of Income on Retail Purchases	29%	
Average Retail Expenditure Potential per Household	\$17,212	
Households	21,159	EPS, reflects second home estimate
Total Expenditure Potential (\$000s)	\$364,178	
Second Homeowners		
Second Homes	3,962	EPS, reflects second home estimate
Annual Average Flagstaff Retail Expenditures	<u>\$7,390</u>	EPS 2nd Home Survey
Total Expenditure Potential (\$000s)	\$29,000	

Source: Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-Retail_5-30.xls\TPI

Total taxable retail sales in Flagstaff, a close approximation of actual retail store sales, were approximately \$839 million in fiscal year 2006, after subtracting automobile sales. The City's total retail sales come from multiple segments of the economy, as shown in **Table 47**. Permanent residents account for approximately 43 percent of the City's retail sales or \$364 million, assuming that the majority of their purchases are made in Flagstaff. This is a reasonable assumption given the geography, although there is some leakage to the Phoenix metropolitan area, particularly for specialty stores or comparison Shoppers Goods stores not available in Northern Arizona. The 3,960 second homeowners generate approximately \$29 million in retail sales, or 3 percent of the total. On-campus students contribute an additional 3 percent, or \$21.9 million. Based on the City's lodging base, overnight visitors generate approximately \$120 million in sales, or 14 percent of the total.

As a regional trade center for Northern Arizona, Flagstaff has significant inflow in retail sales estimated at \$304 million, or 36 percent of total retail sales. Inflow comes from day visitors passing through Flagstaff and from residents in surrounding communities shopping in Flagstaff including the 20,000 people within the FMPO outside the City limits.

Table 47
Estimated City Retail Sales by Market Segment
Housing and Community Sustainability Nexus Study

Description	Sales	% of Total
Resident Households	\$364,180,000	43%
Second Home Owners	\$29,000,000	3%
On Campus Students (6,000) ¹	\$21,900,000	3%
Overnight Visitors ²	\$120,050,000	14%
Other Sales Inflow	\$304,090,000	36%
Taxable Retail Sales ³	\$839,220,000	100%

[1] Estimated as 6,000 students at \$10.00 per day. Off campus students included in household expenditures.

[2] 4,600 hotel rooms at 65% occupancy and 2.2 persons per unit and \$50 per day.

[3] Not including automobile sales.

Source: City of Flagstaff, Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-Retail_5-30.xls\Expend

As a percentage of the City's total retail sales, second homeowners account for less than 5 percent because second homes are only 16 percent of the housing stock and are occupied for an average of 73 days per year (20 percent of the year). It is important to consider their impact per household or housing unit equivalent because many municipal services must be planned or sized with the possibility that any housing unit could be permanently occupied.

Flagstaff residents' retail expenditure potential is approximately \$17,200 per household as shown in Table 48. After applying the City's local sales tax rate of 1.601 percent (the amount the City receives after all other taxing entities), permanent residents generate \$276 in sales tax per household. Second homeowners generate approximately \$118 per household, which is 43 percent of a permanent resident household. As stated previously, second homeowners in the survey likely overstated their expenditures due to the effects of some large one-time expenditures. Thus their total sales tax impact is probably less than what is shown below. However, the conclusion is that, on average, one second home has the sales tax impact of 0.43 permanent homes.

Table 48
Estimated Sales Tax Revenue per Household
Housing and Community Sustainability Nexus Study

Description	Second Homeowner	Permanent Resident
Average Household Income	---	\$59,350
% Spent on Retail Goods	---	<u>29%</u>
Annual Retail Expenditure Potential	\$7,390	\$17,212
Local Sales Tax	1.601%	1.601%
Annual Sales Tax Revenue per Household	\$118	\$276
Permanent Resident Equivalent	43%	100%

Source: Economic & Planning Systems
\\Epsdc01\Proj\16891-Flagstaff Housing Nexus Study\Models\16891-Retail_5-30.xls\Tax

The economic and fiscal impacts of second homeowners are complex and can be interpreted in more than one way. First, second homeowners contribute sales tax and property tax to the City but demand less in services such as schools, parks, and other facilities, because they occupy their homes for only 20 percent of the year and do not generally have children in the school system. On the other hand, City infrastructure such as roads, water, sewer, and fire services must be sized based on the possibility of peak demand, or the potential for second homes to be converted to permanent homes. Second homes are also reported to have a higher impact on police and fire services due to a higher number of false alarms than fully occupied homes. If the cost of these facilities is not recouped through development fees, it must come from sales and property tax.

Second homeowners contribute less than half of the sales tax of a permanent resident. Property tax impacts from second homeowners are essentially equivalent to permanent residents per housing unit; however, property tax is a small portion of the City's

revenues, accounting for 10 percent of general fund revenues. Another important impact of second homeowners that is difficult to quantify is that they remove homes from the inventory available to local working households and in many cases push home prices up because of their higher incomes and increased purchasing power.

IV. HOUSING MARKET CONDITIONS

This chapter provides additional information on the housing stock in Flagstaff and on market conditions, including trends in home sale prices. The cost of land and its contribution to housing costs is also covered in this chapter. This information forms the foundation of the affordability analysis. The chapter is divided into four major sections: Existing Housing Stock, Housing Market Conditions, Land Costs, and Land Supply.

EXISTING HOUSING STOCK

In 2006, there were an estimated 25,120 housing units in Flagstaff. Single family detached units make up 47 percent of the inventory, and single family attached units (townhomes) and duplexes make up 13 percent. Multifamily housing, which includes for-sale condominiums and rental apartments, make up 33 percent of the inventory. Mobile homes and other housing types are approximately 7 percent of the total. From 1990 to 2000, total construction occurred at an average of 512 units per year, and the City added 5,100 new housing units as shown in **Table 49**. From 2000 to 2006, the pace of construction increased to an average of 615 units per year and the City added 3,700 new housing units.

Table 49
Housing Stock by Unit Type: Flagstaff, 1990-2006
Housing and Community Sustainability Nexus Study

Units in Structure	1990	2000	2006	Change 1990-2000		Change 2000-2006	
				Total #	Ann. #	Total #	Ann. #
Single Family							
Single Family Detached	7,793	9,888	11,793	2,095	210	1,905	318
Single Family Attached	1,340	1,720	2,497	380	38	777	130
Two Family (Duplex)	<u>617</u>	<u>811</u>	<u>879</u>	<u>194</u>	<u>19</u>	<u>68</u>	<u>11</u>
Subtotal	9,750	12,419	15,169	2,669	267	2,750	458
Multifamily							
3 or 4 Family	987	1,534	1,590	547	55	56	9
5 or More Family	<u>3,683</u>	<u>5,747</u>	<u>6,631</u>	<u>2,064</u>	<u>206</u>	<u>884</u>	<u>147</u>
Subtotal	4,670	7,281	8,221	2,611	261	940	157
Mobile Home & Other	1,893	1,730	1,730	-163	-16	---	---
Total Housing Units	16,313	21,430	25,120	5,117	512	3,690	615

Source: US Census, City of Flagstaff, Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-Demog.xls\Units_Struct

From 1990 to 2000, 40 percent of new housing construction occurred as single family detached units, and about 11 percent as single family attached and duplexes, as shown in Table 50. Nearly 50 percent of housing construction from 1990 to 2000 occurred as multifamily units. These trends shifted from 2000 to 2006 with single family construction increasing to 75 percent of the total including 52 percent detached and 23 percent attached units. There was a sharp increase in townhome construction, which increased from 7 percent to 21 percent during 1990 to 2000.

Multifamily construction decreased from 50 to 26 percent of the total, as shown. The decline in multifamily construction is believed to be due to a number of factors. Nationally, historically low mortgage interest rates moved many renters into first time ownership positions, which weakened the apartment market. Locally, apartment developers have reported a lack of multifamily development sites.

Table 50
Percent of Change in Housing Stock by Unit Type
Housing and Community Sustainability Nexus Study

Units in Structure	% of New Housing	
	1990-2000	2000-2006
Single Family		
Single Family Detached	39.7%	51.6%
Single Family Attached	7.2%	21.1%
Two Family (Duplex)	<u>3.7%</u>	<u>1.8%</u>
Subtotal	50.5%	74.5%
Multifamily		
3 or 4 Family	10.4%	1.5%
5 or More Family	<u>39.1%</u>	<u>24.0%</u>
Subtotal	49.5%	25.5%
Total Housing Units	100%	100%

Source: US Census, City of Flagstaff, Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-Demog.xls\Units_Struct

From the 2000 Census, tenure by housing unit type is shown in **Table 51**. In 2000, 76 percent of homeowners lived in single family detached homes. Twelve percent lived in mobile homes, and 10 percent lived in townhomes and duplexes. Twenty percent of renters also lived in single family homes, and 13 percent lived in townhomes and duplexes. Fifty-one percent of renters lived in multifamily structures with five or more units. This pattern is believed to have remained relatively constant since the 2000 Census. However, a decrease in mobile home occupancy and an increase in ownership townhome occupancy are likely based on current sales and production trends.

Table 51
Tenure by Occupied Unit Type: Flagstaff, 2000
Housing and Community Sustainability Nexus Study

Units in Structure	Renters		Owners		Total	
	#	%	#	%	#	%
Single Family Detached	2,016	20%	7,091	76%	9,107	47%
Single Family Attached	559	6%	813	9%	1,372	7%
Duplex	705	7%	52	1%	757	4%
3 or 4	1,375	14%	75	1%	1,450	7%
5 to 9	1,673	17%	103	1%	1,776	9%
10 to 19	1,361	14%	16	0%	1,377	7%
20 to 49	658	7%	0	0%	658	3%
50 or more	1,294	13%	0	0%	1,294	7%
Mobile home	405	4%	1,150	12%	1,555	8%
Boat, RV, van, etc.	0	0%	28	0%	28	0%
Total	10,046	100%	9,328	100%	19,374	100%

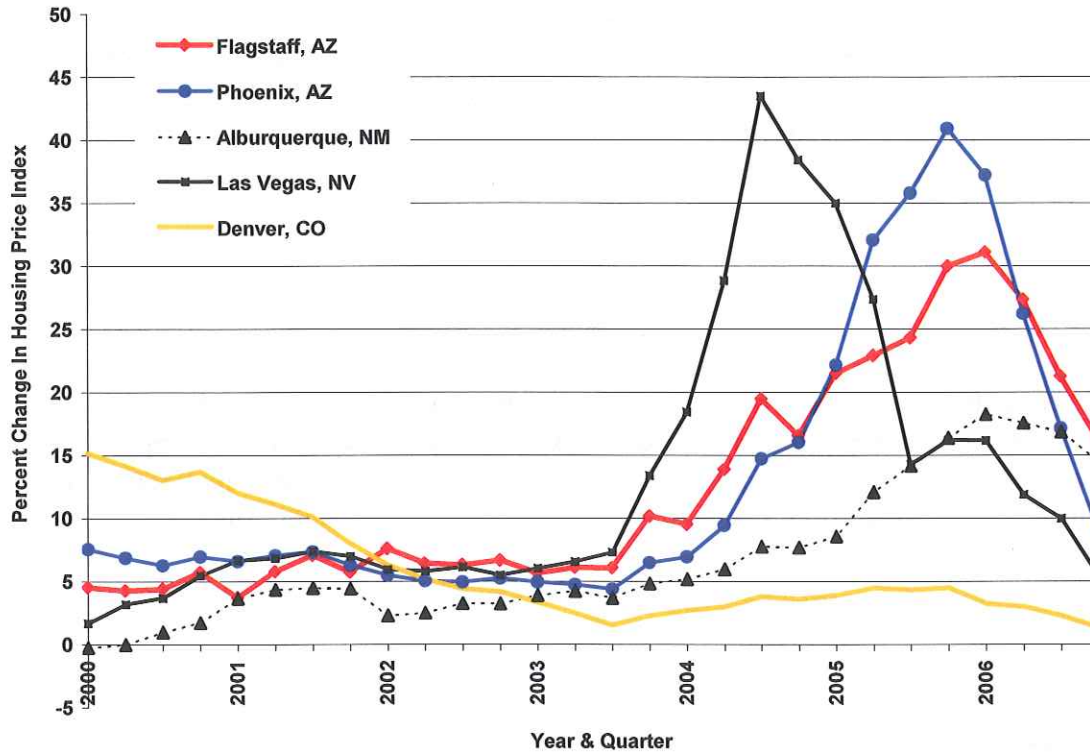
Source: US Census, Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-Demog.xls\Tenure_Unit

HOUSING MARKET CONDITIONS

The Office of Federal Housing Enterprise Oversight (OFHEO) publishes an index of home prices for states and metropolitan areas for tracking and comparing national trends in home prices. **Figure 17** shows the percent change in the OFHEO Housing Price Index (HPI) for the Flagstaff, Las Vegas, Phoenix, Albuquerque, and Denver metropolitan areas. The data points are calculated as the percent change in the HPI from the same quarter in the prior year. For example, in the third quarter of 2005 in Phoenix, the home price index was up 41 percent over the third quarter of 2004. The data do not compare home prices across cities but instead compare the rates of change in home prices.

The data show rapid increases in home prices in southwestern metropolitan areas from 2004 to the end of 2006. The Las Vegas area had the most rapid price increases from the middle of 2003 through the middle of 2004, and the percent change in the HPI peaked at 44 percent. Phoenix also experienced very rapid price increases from 2004 to 2006, as the percent change in the HPI peaked in the third quarter of 2005 at 41 percent. Flagstaff had similar price increases, indicating that Flagstaff is influenced by some of the same market factors as the Phoenix market. Albuquerque also experienced strong price appreciation from 2004 to 2006. Price appreciation in the Denver metropolitan area slowed from 2000 to 2003, and has remained fairly stable since 2004, with further slowing of appreciation in 2006.

Figure 17
Percent Change in Housing Price Index
Housing and Community Sustainability Nexus Study



SALES TRENDS

Residential sales data for Flagstaff comes from the Arizona Department of Revenue, which works with local County tax assessors and maintains a database of all property sales. Tax assessor data is used rather than Multiple Listing Service (MLS) data because it is a publicly available data source and provides more detail than is available through the MLS including for-sale-by-owner sales and direct builder/developer sales. The sales data was queried by tax area to create a dataset representative of the market conditions in Flagstaff.

Tax areas 100 through 117 were selected for this analysis, as shown in **Figure 18**. Since the tax areas do not conform to the City boundary, a slightly larger selection area was chosen to ensure that the entire City was captured, and to recognize that housing markets often overlap political boundaries. While there is some overlap between the City and County in this dataset, a submarket analysis is also presented in **Appendix A** that shows that at the aggregate level, the pricing inside and outside City limits is not substantially different and that housing prices do not drop outside City limits.

In 2006, the median price of a single family detached home was \$392,800 compared to the median price for all types of homes of \$380,000 as shown in **Table 52**. Flagstaff has seen very strong appreciation over the six year time period from 2000 to 2006. Annual appreciation exceeded 10 percent from 2002 to 2003, 2003 to 2004, 2004 to 2005, and 2005 to 2006. The highest appreciation occurred from 2004 to 2005 when the median price rose by 35 percent.

There was a modest decline of -3.2 percent from 2006 to 2007 year to date. However, not even a significant market downturn of more than 10 percent would alleviate affordability problems in Flagstaff. Prices would need to fall to less than half of the current median price to bring them back to pre-2000 levels.

The median price for attached housing (condos and townhomes) was \$219,500 in 2006. The Department of Revenue does not differentiate between townhomes and condominiums. There is a considerable price difference between single family townhomes and multifamily (stacked) condominiums. New townhomes in the Flagstaff area are typically priced from \$350,000 to \$450,000 and over \$500,000. Currently, however, there is an inventory of condominiums converted from apartments that can be found under \$200,000. Condos and townhomes have also shown strong appreciation at 12.6 percent per year since 2000, up from 2.4 percent per year from 1993 to 2000. The median price for all types of homes was \$380,000 in 2006.

Figure 18
Coconino County Assessor Tax Areas
Housing and Community Sustainability Nexus Study

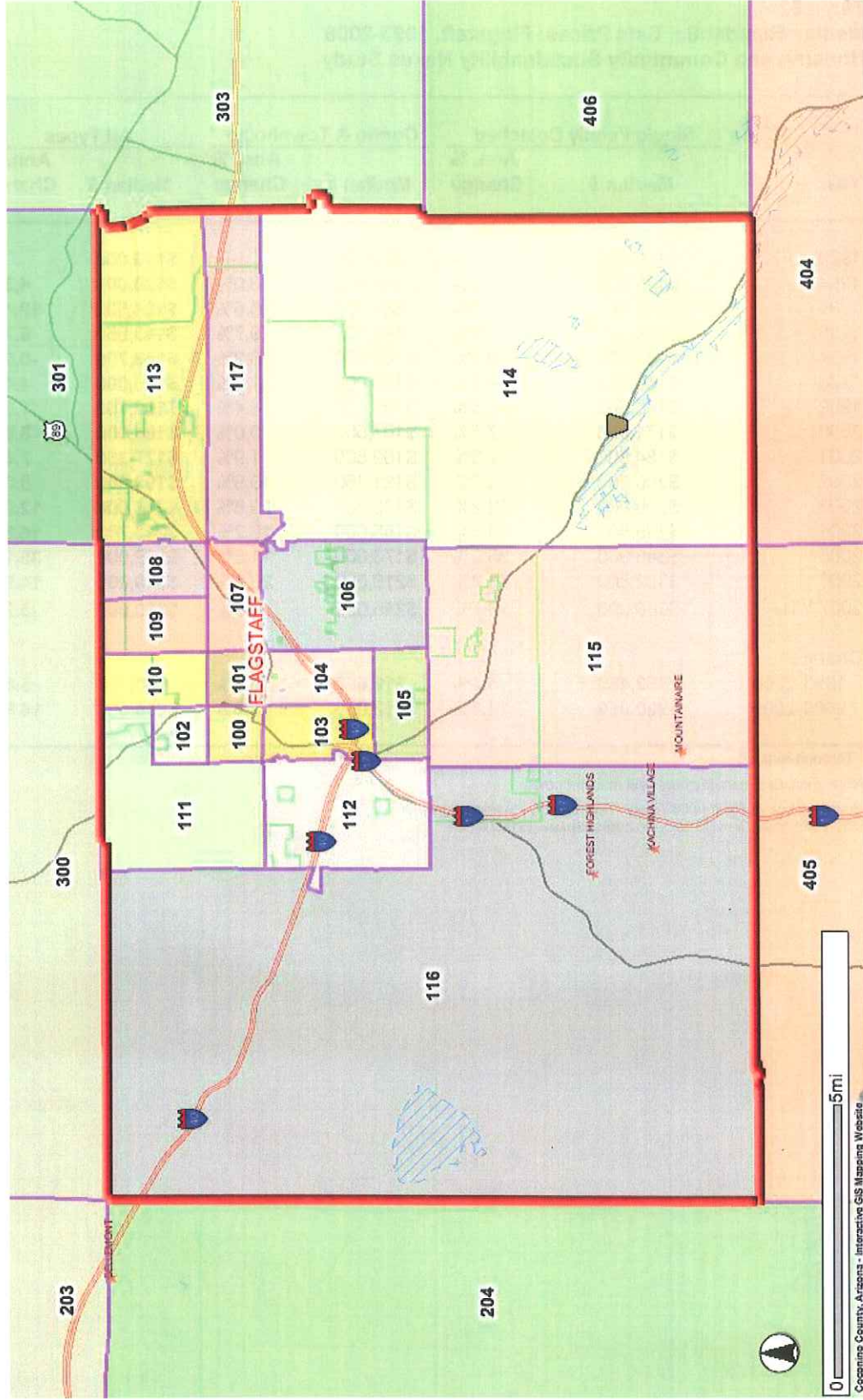


Table 52
Median Residential Sale Prices: Flagstaff, 1993-2006
Housing and Community Sustainability Nexus Study

Year	Single Family Detached		Condo & Townhome		All Types	
	Median \$	Ann. % Change	Median \$	Ann. % Change	Median \$	Ann. % Change
1993	\$119,500	---	\$90,900	---	\$115,000	---
1994	\$129,000	7.9%	\$84,625	-6.9%	\$120,000	4.3%
1995	\$142,500	10.5%	\$89,300	5.5%	\$134,900	12.4%
1996	\$150,500	5.6%	\$98,000	9.7%	\$143,950	6.7%
1997	\$150,000	-0.3%	\$106,000	8.2%	\$143,700	-0.2%
1998	\$156,153	4.1%	\$103,000	-2.8%	\$150,000	4.4%
1999	\$160,000	2.5%	\$107,500	4.4%	\$152,750	1.8%
2000	\$171,950	7.5%	\$107,500	0.0%	\$165,000	8.0%
2001	\$184,500	7.3%	\$109,500	1.9%	\$177,250	7.4%
2002	\$200,500	8.7%	\$121,450	10.9%	\$192,000	8.3%
2003	\$225,000	12.2%	\$133,350	9.8%	\$215,000	12.0%
2004	\$255,500	13.6%	\$155,000	16.2%	\$245,700	14.3%
2005	\$345,000	35.0%	\$173,000	11.6%	\$332,000	35.1%
2006	\$392,800	13.9%	\$219,500	26.9%	\$380,000	14.5%
2007 YTD ¹	\$369,000	-3.7%	\$245,000	6.8%	\$360,000	-3.2%
Change						
1993-2000	\$52,450	5.3%	\$16,600	2.4%	\$50,000	5.3%
2000-2006	\$220,850	14.8%	\$112,000	12.6%	\$215,000	14.9%

¹ Through August.

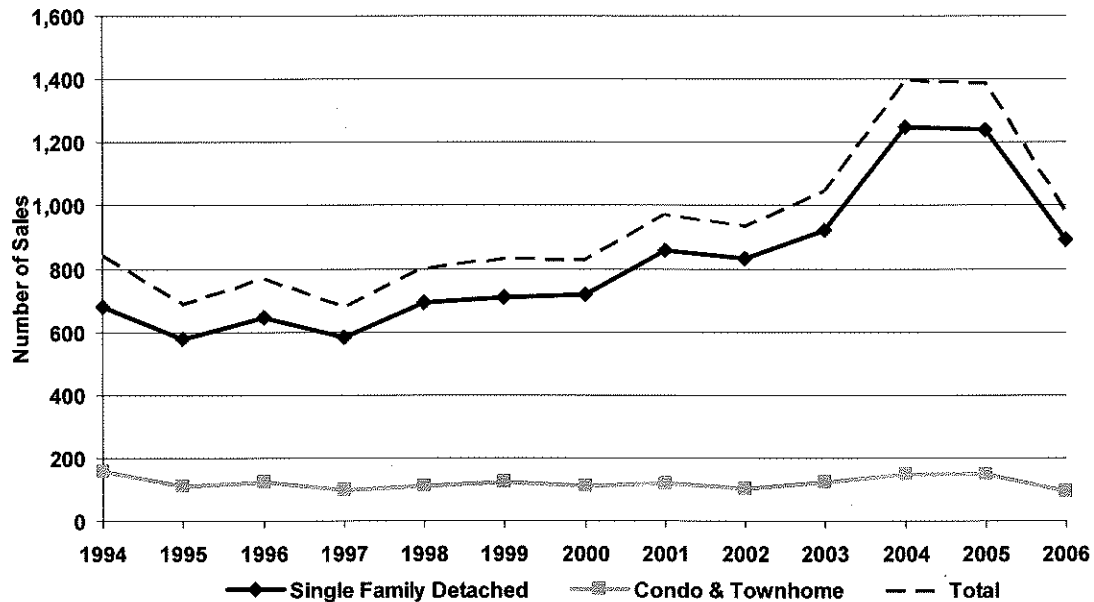
Note: Excludes manufactured and mobile homes.

Source: State of Arizona CIS Dept, Economic & Planning Systems

C:\Documents and Settings\Bryan & Lisa\Desktop\16891\16891-sales_10-11-07.xls\JT-52

Market volume, the number of sales in a given time period, is another indicator of the strength of a housing market. It also provides a general picture of what types of housing products are selling in the market. Total market volume peaked in 2004 at 1,400 sales per year, as shown in **Figure 19**. The peak in volume was accompanied by a 14 percent price increase from 2003 to 2004. Volume was stable from 2004 to 2005, and prices increased by another 35 percent over 2004. There was a 30 percent drop in volume from 2005 to 2006, yet appreciation was still strong at 14.5 percent over 2005. Projecting to the end of 2007, another 20 percent drop in sales volume is expected. However, year-to-date sales data only show a -3.2 percent price drop.

Figure 19
Residential Sales Volume by Type: Flagstaff, 1994-2006
Housing and Community Sustainability Nexus Study



Since 2000, 89 percent of the sales volume was in single family detached homes. Condos and townhomes accounted for an average of 11 percent of sales. This trend has been fairly stable since 1994, as single family sales made up 85 percent of market volume on average from 1994 to 2000.

The majority of single family homes in Flagstaff are on lots less than ¼ acre in size. From 2000 to 2006 sales of homes on ¼ acre or smaller lots accounted for approximately 65 percent of sales; homes on ¼ to ½ acre lots were 28 percent of single family sales on average for the same time period; and homes on ½ acre or larger lots were 6 percent of single family sales, as shown in Table 53. In total, 93 percent of the home sales were of homes on lots smaller than ½ acre. The overall composition of single family housing density has not changed substantially in Flagstaff over the past 12 years, largely as a reflection of the existing zoning.

Table 53
Percentage of Single Family Home Sales by Lot Size
Housing and Community Sustainability Nexus Study

Lot Size Range	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 YTD ¹
Sales														
< 1/4 ac.	465	387	433	392	460	472	422	532	565	602	811	790	600	341
1/4 - 1/2 ac.	181	168	180	151	188	185	240	259	208	259	364	330	218	118
1/2 ac. +	<u>24</u>	<u>17</u>	<u>18</u>	<u>29</u>	<u>22</u>	<u>31</u>	<u>39</u>	<u>49</u>	<u>42</u>	<u>35</u>	<u>72</u>	<u>121</u>	<u>72</u>	<u>35</u>
Total	670	572	631	572	670	688	701	840	815	896	1,247	1,241	890	494
% of Total														
< 1/4 ac.	69%	68%	69%	69%	69%	69%	60%	63%	69%	67%	65%	64%	67%	69%
1/4 - 1/2 ac.	27%	29%	29%	26%	28%	27%	34%	31%	26%	29%	29%	27%	24%	24%
1/2 ac. +	<u>4%</u>	<u>3%</u>	<u>3%</u>	<u>5%</u>	<u>3%</u>	<u>5%</u>	<u>6%</u>	<u>6%</u>	<u>5%</u>	<u>4%</u>	<u>6%</u>	<u>10%</u>	<u>8%</u>	<u>7%</u>
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

¹ Through August.

Source: State of Arizona CIS Dept; Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-sales_10-11-07.xls\T-53

The above trends are reflective of the City's land use categories. The City's residential zoning categories are shown in Table 54 along with the number of acres (built and unbuilt) under each zoning category. Nearly 90 percent of the zoned residential land is in categories with minimum lot sizes up to 15,000 square feet, or one-third of an acre.

Table 54
City of Flagstaff Residential Zoning Categories
Housing and Community Sustainability Nexus Study

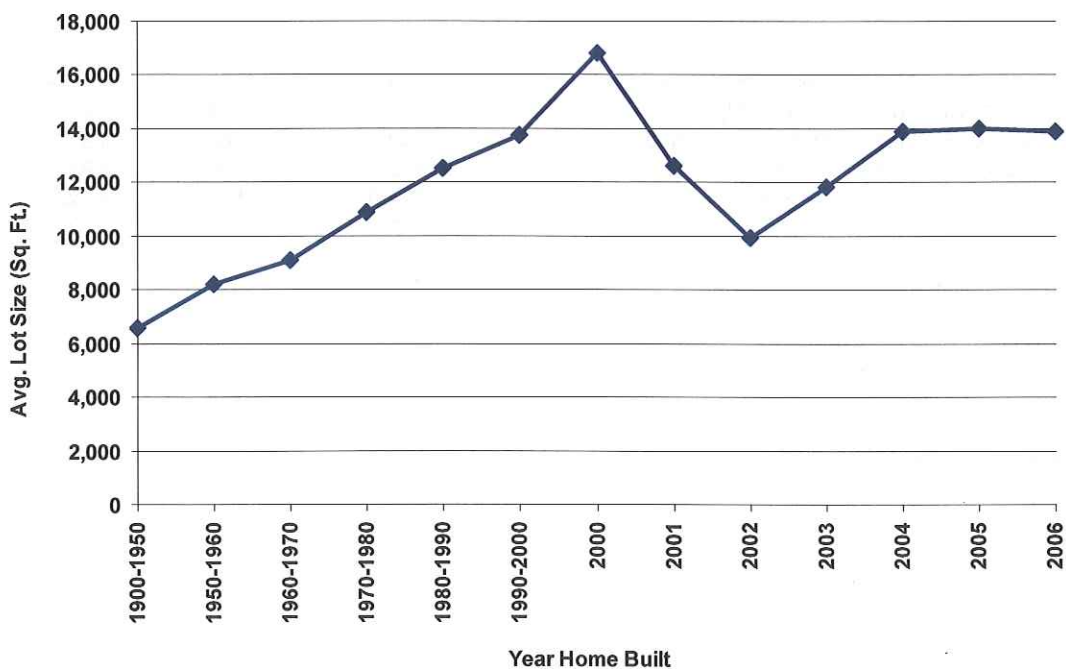
Land Use Zone	Minimum Lot Size (Sq. Ft.)	Total Acres	% of Total
Multiple-Family Res. - District Established (RMME)	1,500	651	3.1%
One and Two Family Res. Dist. - Established (RMLE)	3,000	220	1.0%
High Density Residential District (HR)	3,500	24	0.1%
Manufactured Home Park Dist. - Established (MHE)	4,000	186	0.9%
Manufactured Home Park District. (MH)	4,000	186	0.9%
Medium Density Res. District (MR)	6,000	574	2.7%
Urban Residential District (UR)	6,000	50	0.2%
Single-Family Res. Dist. - Established (R1E)	7,000	2,350	11.1%
Residential District (R1)	7,000	1,416	6.7%
Rural Residential District (RR)	15,000	12,917	61.3%
Suburban Residential District (SR)	15,000	15	0.1%
Single-Family Res. Suburban Dist. Established (RSE)	15,000	6	0.0%
Estate Residential District (ER)	43,560	1,755	8.3%
Single-Family Res. Rural Dist. Established (RRE)	43,560	<u>739</u>	<u>3.5%</u>
Total Zoned Residential Land		21,086	100%

Source: City of Flagstaff, Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Data\16891-LandUseBreakdown.xls\Res. LU

Looking in more detail at the average lot size for homes built during various time periods shows a steady decrease in single family density (increase in lot size) for homes built before 1950 to homes built in 2000, as shown in **Figure 20**. After 2000 the average lot size for new homes decreased from approximately 16,000 square feet for homes built in 2000 to 10,000 square feet for homes built in 2002. The average lot size increased again to 14,000 square feet from 2002 to 2006. High end residential construction, such as Pine Canyon, may be contributing to this increase.

Figure 20
Average Single Family Lot Size by Year Home Built: Flagstaff, 1900–2006
Housing and Community Sustainability Nexus Study



Single family home sales are shown by lot size and are separated into Flagstaff area resident buyers and buyers from other areas. The data does not indicate a strong preference by lot type for second homeowners, as shown in Table 55.

Table 55
Single Family Sales by Lot Size and Owner Address
Housing and Community Sustainability Nexus Study

Lot Size Range and Owner Address	2000	2001	2002	2003	2004	2005	2006	2007 YTD ¹	Total 2000-2006	
									Sales	% of Sales
< 1/4 ac.										
Flagstaff	382	459	485	532	673	626	487	262	3,644	55.0%
Other Areas	<u>40</u>	<u>73</u>	<u>80</u>	<u>70</u>	<u>138</u>	<u>164</u>	<u>113</u>	<u>79</u>	<u>678</u>	<u>10.2%</u>
Subtotal	422	532	565	602	811	790	600	341	4,322	65.2%
1/4 - 1/2 ac.										
Flagstaff	184	205	176	200	233	210	126	89	1,334	20.1%
Other Areas	<u>56</u>	<u>54</u>	<u>32</u>	<u>59</u>	<u>131</u>	<u>120</u>	<u>92</u>	<u>29</u>	<u>544</u>	<u>8.2%</u>
Subtotal	240	259	208	259	364	330	218	118	1,878	28.3%
1/2 - 1.0 ac.										
Flagstaff	11	15	12	11	18	28	13	8	108	1.6%
Other Areas	<u>4</u>	<u>5</u>	<u>2</u>	<u>6</u>	<u>10</u>	<u>32</u>	<u>21</u>	<u>13</u>	<u>80</u>	<u>1.2%</u>
Subtotal	15	20	14	17	28	60	34	21	188	2.8%
1.0 - 2.0 ac.										
Flagstaff	12	14	19	11	17	23	7	4	103	1.6%
Other Areas	<u>7</u>	<u>8</u>	<u>3</u>	<u>3</u>	<u>2</u>	<u>19</u>	<u>13</u>	<u>4</u>	<u>55</u>	<u>0.8%</u>
Subtotal	19	22	22	14	19	42	20	8	158	2.4%
2.0 - 5.0 ac.										
Flagstaff	3	4	3	2	16	12	5	4	45	0.7%
Other Areas	<u>1</u>	<u>3</u>	<u>2</u>	<u>1</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>2</u>	<u>25</u>	<u>0.4%</u>
Subtotal	4	7	5	3	21	18	12	6	70	1.1%
5+ ac.										
Flagstaff	1	0	1	0	4	1	4	0	11	0.2%
Other Areas	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>3</u>	<u>0.0%</u>
Subtotal	1	0	1	1	4	1	6	0	14	0.2%
Total	701	840	815	896	1,247	1,241	890	494	6,630	100.0%

¹ Through August.

Source: State of Arizona CIS Dept; Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-sales_10-11-07.xls\T-54

A higher percentage of second homebuyers and investors are purchasing townhomes and condominiums than single family homes, as shown in **Table 56**. Over the 2000 to 2006 time period, 40 to 50 percent of condominium and townhome sales (attached units) each year were to buyers who live outside of Flagstaff. Many of these buyers are second homebuyers, while some are investor buyers who then rent their properties to local residents. By contrast, 85 percent of single family sales were to local buyers in 2000, with 15 percent to outside buyers. By 2006, outside buyers accounted for almost 30 percent of single family home sales. It is important to note the difference in sales volume with detached housing accounting for a much larger percentage of total sales.

Table 56
Sales by Housing Type and Owner Address, 2000-2006
Housing and Community Sustainability Nexus Study

Property Type and Owner Address	2000	2001	2002	2003	2004	2005	2006	2007 YTD ¹
Attached								
Flagstaff	53	67	59	63	78	83	55	21
Other Areas	<u>54</u>	<u>46</u>	<u>43</u>	<u>56</u>	<u>71</u>	<u>64</u>	<u>37</u>	<u>20</u>
Subtotal	107	113	102	119	149	147	92	41
SFD								
Flagstaff	593	697	696	756	961	900	642	367
Other Areas	<u>108</u>	<u>143</u>	<u>119</u>	<u>140</u>	<u>286</u>	<u>341</u>	<u>248</u>	<u>127</u>
Subtotal	701	840	815	896	1247	1241	890	494
Total	808	953	917	1,015	1,396	1,388	982	535
Attached								
Flagstaff	50%	59%	58%	53%	52%	56%	60%	51%
Other Areas	<u>50%</u>	<u>41%</u>	<u>42%</u>	<u>47%</u>	<u>48%</u>	<u>44%</u>	<u>40%</u>	<u>49%</u>
Subtotal	100%	100%	100%	100%	100%	100%	100%	100%
SFD								
Flagstaff	85%	83%	85%	84%	77%	73%	72%	74%
Other Areas	<u>15%</u>	<u>17%</u>	<u>15%</u>	<u>16%</u>	<u>23%</u>	<u>27%</u>	<u>28%</u>	<u>26%</u>
Subtotal	100%	100%	100%	100%	100%	100%	100%	100%

¹ Through August.

Source: State of Arizona CIS Dept; Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-sales_10-11-07.xls\T-55

This information reveals two important points. First, there is interest among second homebuyers for smaller low maintenance homes that can be left unattended more easily than a single family home. Second, promoting more free market, higher density townhome construction as a source of community workforce housing may not reach the desired target buyers (local residents), as second homeowners may purchase a high percentage of townhome units. This reinforces the need for other workforce housing programs oriented to residents of Flagstaff; this may be accomplished through mechanisms such as deed restrictions, which can restrict occupancy to residents.

RECENT CONSTRUCTION TRENDS

The previous sales statistics are blended averages of existing home resales and new construction. It is important to examine trends in new construction because they provide an indicator of the future direction of the housing market. This section presents information on new construction from an analysis of assessor sales data and primary research on recent and proposed/under construction development projects in Flagstaff.

By calculating the average sale price for homes built in one year that sold that same year and the year after, a large dataset of new construction home sales can be analyzed. Homes that were built in 2000 and sold in 2000 or 2001 had an average price of \$232,000, as shown in the right hand column of Table 57. Homes built in 2005 that sold in 2005 and 2006 had an average price of \$564,000, which is 140 percent higher than the 2000 price. The price for homes built in 2005 and sold in 2005 and 2006 was 33 percent higher than homes built in 2004 and sold in 2004 and 2005.

Table 57
Average Price for Recent Single Family Construction, 2000-2006
Housing and Community Sustainability Nexus Study

Year Built	Year Sold								Avg. Recent Construction
	2000	2001	2002	2003	2004	2005	2006	2007 YTD ¹	
2000	\$205,598	\$258,348							\$231,973
2001		\$222,550	\$255,569						\$239,060
2002			\$225,829	\$268,384					\$247,107
2003				\$265,613	\$333,587				\$299,600
2004					\$355,438	\$509,885			\$432,662
2005						\$529,985	\$597,005		\$563,495
2006							\$520,246	\$602,384	\$561,315
Recent Construction Price Increase									\$329,342
% Change									142%

¹ Through August.

Source: State of Arizona CTS Dept; Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-sales_10-11-07.xls\T-56

Major new and recent residential developments with more than 50 units were inventoried to further evaluate current development activity. Of the 16 projects shown in **Table 58**, only four were identified with average prices near or below \$250,000. Three of the lower priced developments are all condominium conversions including Timberline Village, the Arbors, and the Village at University Heights. The Flagstaff Meadows Townhomes in Bellemont were available in the mid \$200,000's, and there is the potential for more townhomes in the final third phase that is being planned. The Presidio project may offer some condominium and loft units starting in the mid \$200,000 range, while single family products will be priced in the low to mid \$300,000's.

Rio homes include 30 deed restricted affordable townhomes, originally priced from \$149,000 to \$164,000, while similar free market units within the subdivision are priced in the mid- to upper-\$300,000s and low \$400,000s. In 2006, overall new townhome construction starts at approximately \$290,000 and ranges to above \$500,000, with an average of \$368,000. Pricing at the Railroad Springs townhome subdivision began at approximately \$290,000. The average price of new single family units is \$379,000.

The Summit at Ponderosa Trails is a 103 lot subdivision with 7,000 to 8,000 square foot lots. Lots are priced from \$165,000 to \$200,000 with an average home price of \$490,000. The Sanctuary (not shown) is a 21 lot subdivision under construction, with lots expected to be priced from the high \$200,000 to above \$300,000.

Table 58
Major Residential Development Projects
Housing and Community Sustainability Nexus Study

Project	Status	Type	# Units by Type	Approx. Midpoint Home Price
Single Family				
The Summit at Ponderosa Trails	For Sale/Under Construction	SFD	103	\$490,000
Ponderosa Trails - The Retreat	For Sale/Under Construction	SFD	70	\$475,000
Flagstaff Meadows I & II (Bellemont)	Near Completion	SFD	387	\$350,000
Mt. Elden Estates	For Sale/Under Construction	SFD	51	\$600,000
Presidio in the Pines	For Sale/Under Construction	SFD	388	\$330,000
Rio Homes	For Sale/Under Construction	SFD	18	<u>\$397,000</u>
Total / Weighted Average			1,017	\$378,521
Townhome				
Flagstaff Meadows I & II (Bellemont)	Near Completion	TH	225	\$250,000
Presidio in the Pines	For Sale/Under Construction	TH	82	\$350,000
Rio Homes	For Sale/Under Construction	TH	155	\$383,000
Forest Springs Townhomes	For Sale/Under Construction	TH	112	\$385,000
Mt. Elden Villas	For Sale/Under Construction	TH	70	\$425,000
Pine Knoll Village	For Sale/Under Construction	TH	64	\$475,000
Pinnacle Pines	For Sale/Under Construction	TH	217	\$395,000
Railroad Springs	For Sale/Under Construction	TH	132	\$315,000
Switzer Canyon Village	Project Approved	TH	96	<u>\$512,500</u>
Total / Weighted Average			1,153	\$368,000
Condo				
Sawmill	Proposed/Under Review	Condo	300	\$350,000
Timberline Village (Condo Conversion)	For Sale	Condo	384	\$205,000
The Arbors (Condo Conversion)	For Sale	Condo	310	\$143,000
Village at University Heights (Condo Conversion)	For Sale	Condo	207	<u>\$168,000</u>
Total / Weighted Average			1,201	\$219,000

Note: SFD = Single Family Detached, Townhome = TH

Source: Economic & Planning Systems interviews

H:\16891-Flagstaff Housing Nexus Study\Models\16891-ActiveProj_CityReview.xls\Pricing

Other notable projects provide a clear indication that the market is moving to higher end homes, including Anasazi Ridge, McMillan Estates, and Schultz Pass. McMillan Estates is a 38 lot subdivision with 6,000 to 10,000 square foot lots priced at \$200,000. Lots in Shultz pass are selling for about \$182,000 for 6,000 to 10,000 square foot lots. Due to the lot costs, these projects can be expected to have homes priced above \$700,000. Anasazi Ridge is commanding the highest lot prices at approximately \$400,000 for larger lots, which will support home prices over \$1.0 million.

There are currently applications to convert approximately 1,200 apartment units to for-sale condominiums. The City received several applications for condo conversion projects in the winter and spring of 2005; however, only three major projects are active at this time. Due to slow sales and a large number of units on the market, not all 1,200 have been converted at this time. Builder/developers are waiting for the inventory to be absorbed before moving forward with additional units. To date, an estimated 60 percent of the 1,200 units have been platted as condominiums. If the rental housing stock is not replaced over time and if these conversions continue, the supply of rental housing will be impacted. Apartment managers have already reported a tightening of the rental market due to condominium conversions, increases in home prices, and the availability of mortgage financing.

LAND COSTS

The price of land and finished lots (lots with on-site infrastructure ready to build) is one of the largest components of home prices. The price of land affects the price at which a builder or developer needs to sell a home in order to recover his/her costs. Land prices are also affected by the value of homes, as the two are interrelated. This section examines lot sales and finished lot prices, and how they contribute to the cost of a single family home. The price of land is often difficult to accurately quantify because of the large number of variables that affect prices, such as what zoning or entitlements are assigned to the land, the cost to install site infrastructure, and if the sales are individual lot sales or bulk lot sales to a builder. This analysis uses tax assessor sales records and builder/developer interviews to estimate current average finished lot prices in Flagstaff, and to demonstrate how those prices affect the cost of a home.

Sales from 1993 to 2005 of vacant parcels in Flagstaff ranging from 6,000 square feet to 2 acres are shown by size range in **Table 59**. Because few sales were reported in 2006, an analysis of these sales was not considered to be reliable. There were very few sales larger than 2 acres. In the size ranges shown, these can be considered to be largely finished buildable lots, although there may be some anomalies in a large dataset such as this. Approximately 80 percent of the volume in land sales is in the 6,000 square foot to 0.5 acre size ranges, reflecting the current residential development pattern. In 2004 there were only 43 sales reported larger than 2 acres, and less than a dozen in 2005. In 2003 and 2005 there were sharp increases in sales of lots of less than 6,000 square feet, with 43 sales in 2004 and 52 sales in 2005. The Rio Homes and Presidio developments both have lots in this size range and contributed to the increase in small lot sales.

Table 59
Land Sales by Year and Size Range: Flagstaff, 1993-2005
Housing and Community Sustainability Nexus Study

Year	# of Sales Reported						Total
	<6,000 Sq. Ft	6,000 - 10,000 Sq. Ft.	1/4 Ac. - 0.5 Ac.	0.5 Ac. - 1.0 Ac.	1.0 - 2.0 Ac.	2+ Ac.	
# of Sales							
1993	2	42	44	2	19	4	113
2000	9	92	109	28	16	40	294
2001	15	102	63	11	9	22	222
2002	19	144	95	13	23	23	317
2003	43	75	72	33	14	22	259
2004	13	62	47	9	3	43	177
2005	<u>52</u>	<u>30</u>	<u>16</u>	<u>2</u>	<u>1</u>	<u>9</u>	<u>110</u>
Total 2000-2005	151	505	402	96	66	159	1,379
% of Sales							
1993	2%	37%	39%	2%	17%	4%	100%
2000	3%	31%	37%	10%	5%	14%	100%
2001	7%	46%	28%	5%	4%	10%	100%
2002	6%	45%	30%	4%	7%	7%	100%
2003	17%	29%	28%	13%	5%	8%	100%
2004	7%	35%	27%	5%	2%	24%	100%
2005	<u>47%</u>	<u>27%</u>	<u>15%</u>	<u>2%</u>	<u>1%</u>	<u>8%</u>	<u>100%</u>
Average 2000-2005	11%	37%	29%	7%	5%	12%	100%

Source: State of AZ CIS Dept., Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-LandSales.xls\Land_Size_Vol

The average sale prices for these land sales are shown in **Table 60**, with a focus on the 6,000 square feet to ½ acre size range, which has almost 90 percent of sales volume. In 2005, the average price for a 6,000 square foot or smaller lot was \$69,000. Lots in the 6,000 to 10,000 square foot range sold for an average of \$157,000, and ¼ to ½ acre lots sold for an average price of \$189,000. The 6,000 to 10,000 square foot lots increased in price by 120 percent, and ¼ to ½ acre lots increased in price by 150 percent. The decrease in price for 6,000 square foot and smaller lots is likely a combination of data anomalies and a large amount of bulk lot sales to builders, which can occur at discounted prices.

Table 60
Average Land Sale Price by Size Range: Flagstaff, 1993-2005
Housing and Community Sustainability Nexus Study

Size Range	<6,000 Sq. Ft	6,000-10,000 Sq. Ft.	1/4 Ac.-0.5 Ac.	0.5 Ac.-1.0 Ac.	1.0-2.0 Ac.
1993	\$34,000	\$43,243	\$55,841	\$69,000	\$73,966
2000	\$135,211	\$71,402	\$75,544	\$98,793	\$108,937
2001	\$76,872	\$122,096	\$88,465	\$96,282	\$152,500
2002	\$113,193	\$81,342	\$92,400	\$191,780	\$225,713
2003	\$50,569	\$206,967	\$159,083	\$216,800	\$301,665
2004	\$79,623	\$148,019	\$134,207	\$311,722	\$165,000
2005	\$69,462	\$156,936	\$189,001	\$375,000	\$450,000
2000-2005					
\$ Change	-\$65,750	\$85,533	\$113,457	\$276,207	\$341,063
% Change	-49%	120%	150%	280%	313%
Ann. % Change	-12.5%	17.1%	20.1%	30.6%	32.8%

Source: State of AZ CIS Dept., Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-LandSales.xls\Land_Size

Builders have reported that the lowest priced finished lots in Flagstaff are approximately \$150,000 and that there are few of these opportunities. This analysis demonstrates an optimistic scenario of the cost at which a builder could potentially deliver a home, assuming a fairly basic home with low construction costs. **Table 61** shows a 1,800 square foot home on a finished lot purchased for \$150,000. Vertical construction is estimated at \$270,000 (based on \$150 per square foot), fees at \$9,000, a modest 10 percent builder profit at \$40,000, and the transaction privilege tax (TPT) at \$24,100. The total home price, as shown, approaches \$500,000.

Based on this example, land equals approximately 30 percent of the finished home value. Most builders prefer to keep this ratio between approximately 20 and 25 percent, depending on the market to keep enough financial incentive (profit) in the project to make it worthwhile. This indicates that this scenario is not likely to occur in the Flagstaff market.

Table 61
Generalized Cost Components of a Single Family Home
Housing and Community Sustainability Nexus Study

Description	Factors	% of Home Price
Finished Lot Price	\$150,000	30%
Vertical Construction		
Home Size	1,800 Sq. Ft.	
Hard Costs per Sq. Ft.	<u>\$150/sq. ft.</u>	
Total Hard Costs	\$270,000	55%
Fees & Permits		
3/4" Water Tap	\$2,575	
Sewer Capacity	\$2,410	
Bldg. Permit	\$2,200	
Plumbing Permit	\$260	
Electrical Permit	\$140	
Mechanical Permit	\$60	
Plan Check (65% of Permit)	<u>\$1,430</u>	
Fees & Permits	\$9,075	2%
Total Vertical Costs	\$279,075	57%
Builder Profit (on Hard Costs & Fees)	\$40,083	10% 8%
Land	\$150,000	30%
Transaction Privilege Tax ¹	<u>\$24,087</u>	5.134% 5%
Finished Home Price	\$493,245	100%

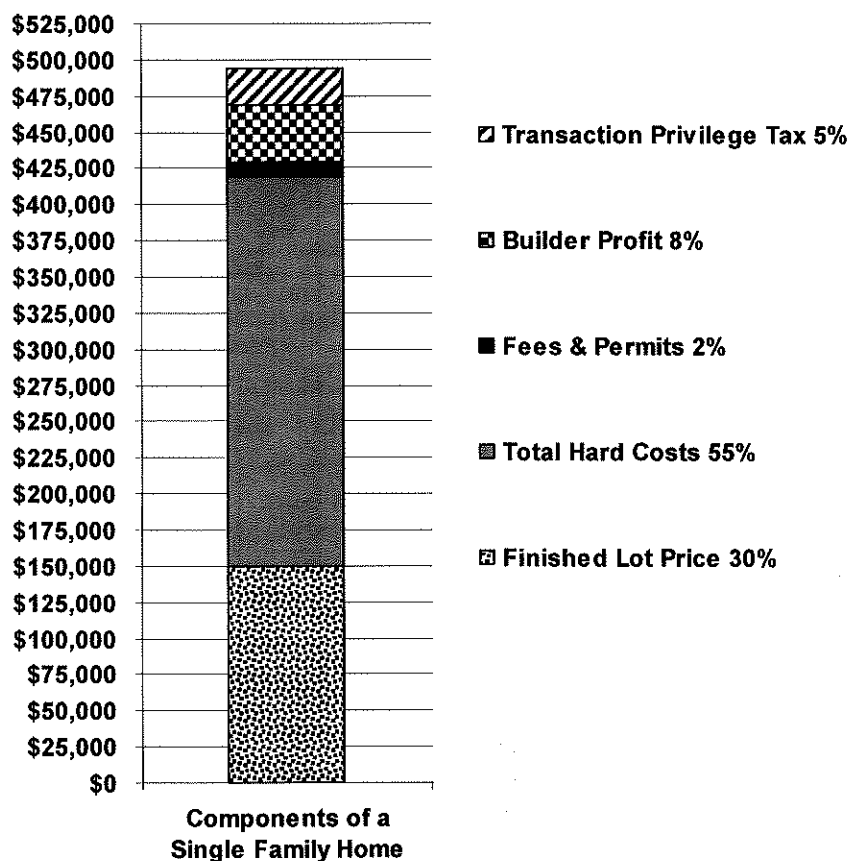
¹ TPT calculated on land, vertical costs, and profit.

Source: Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-LandCost.xls\High

Land construction costs are therefore the primary driver of housing costs, as shown in Figure 21. Land can range from 25 to 35 percent of a home price, and construction costs range from 50 to 60 percent of the home price. Development fees in Flagstaff are currently around 2 percent of the home price, and the Transaction Privilege Tax adds 5 percent to the cost of a home. At most, reducing fees and taxes could only have approximately a 5 to 10 percent impact on home prices, which would bring the hypothetical \$500,000 home down to \$450,000, which is still unaffordable to most households.

Figure 21
Generalized Cost Components of a Single Family Home
 Housing and Community Sustainability Nexus Study



The City is currently considering adopting impact fees to help pay for infrastructure needs tied to growth. Impact fees will add to the cost of development and home prices, but it is not always a one-to-one relationship. Some of the increased cost in development comes out of the land cost because developers are unable to charge more for homes than the market will bear. If impact fees are not used, the City would need to find another way to pay for needed infrastructure. Some communities can increase property taxes to fund bonds and finance infrastructure costs. However, due to the municipal revenue limitations imposed by State legislation, this is not an option for Flagstaff. If

infrastructure falls behind the need, quality of life in Flagstaff will suffer, as will its competitive economic edge. Impact fees can be used to address the new infrastructure needed to keep up with growth; however they cannot be used to address maintenance backlogs. The City must rely on other development fees, taxes, and miscellaneous general revenue sources to address the infrastructure backlog.

LAND SUPPLY

A lack of available development land is a factor contributing to housing cost inflation. The development community has noted a scarcity of available land and buildable lots. The longer term perspective is more promising. A tabulation of major raw land parcels with residential development potential indicates an additional 2,425 acres of land with approximately 9,700 dwelling units could be added to the City, as shown in **Table 62**. The total potential inventory would provide approximately a 15 year supply of developable land based on current average construction of 600 units per year. After that, there will be pressure for further expansion of the urbanized area into Coconino County, and an increased focus on infill and redevelopment.

A buildable lands inventory was not completed for this study. However, it is recommended that the City use its geographic information systems (GIS) to evaluate the land supply in more detail. It would be useful for future planning and for developers to better understand the inventory of built and vacant land and platted lots by zoning classification. This would also be useful in directing infill development to appropriate areas.

Table 62
Major Development Opportunity Inventory
Housing and Community Sustainability Nexus Study

Area / Project	Ownership	Approx. Acres	Potential Dwelling Units	Notes
Section 20	State Lands	640	1,920	State proposing to change designation to "urban lands" in order to sell the property for development. Currently in Stage 2 Urban Growth Boundary (UGB) and cannot be developed until other major parcels in Stage 1 UGB are developed.
Villagio Montana	State Lands/ Priv. Developer	1,000	3,600	Proposed for largest master planned community in City history. Traditional Neighborhood Design (TND) is proposed. Currently under review for density reduction to <2,000 DUs.
Juniper Point	Private	310	1,700	Proposed master planned community with 110 acres of open space and TND features and amenities. Currently under review for rezoning.
Canyon Del Rio	State Lands/ Priv. Developer	325	1,150	Has City zoning for residential and business development. Potential for 800 to 1,500 DUs. Currently under review.
Section 26	State Lands	150	900	In City limits and Stage 1 UGB. No current development proposals.
Flagstaff Meadows (Bellemont)	Private	---	450	Remaining buildout potential of 400 to 500 units.
Navajo Army Depot	Federal	---	---	No residential development expected. Portions of site are potential brownfields site as it is a former nuclear missile facility.
Private Land S.E. of Airport, W. Samrell Blvd.	Private	?	?	Unknown
Forest Service Land Trades		?	?	Unknown
City infill and redevelopment	---	?	?	Redevelopment and infill will become increasingly important as major development opportunities become built out. Additional study of buildable lands inventory is recommended.
Total Development Potential		2,425	9,720	
Approx. Years of Supply			16	Based on 600 DUs per year absorption, consistent with recent construction trends.

Source: City of Flagstaff, Economic & Planning Systems
H:\16881-Flagstaff Housing Nexus Study\Mapset\16881-Lands Inventory.xls\Sheet1

RENTAL HOUSING MARKET CONDITIONS

There is no publicly available published data on the apartment market in Flagstaff. In order to estimate market rents, property managers were interviewed to obtain rental unit inventories, and classified ads from the Arizona Daily Sun were tabulated. A sample of 1,500 rental units was obtained by this method. As shown in **Table 63**, the average rent for a one bedroom apartment is \$760, \$880 for a two bedroom apartment, \$1,130 for a three bedroom apartment, and \$1,640 for a four bedroom unit.

Three and four bedroom townhomes rent for approximately the same as commercially managed apartment communities, at \$1,220 to \$1,575. Average rents for single family homes range from \$750 for a one bedroom home to \$1,700 for a four bedroom or larger home.

The HUD Fair Market Rents (FMR) for Flagstaff is also shown. HUD uses a price index calculation to update market rents and does not survey actual rental properties. FMR is 7 to 10 percent higher than actual market rents for studio, one, and two bedroom units. However, FMR is 5 to 10 percent lower for three and four bedroom units, indicating that larger units are considerably more expensive than HUD reports, largely because HUD does not survey rental properties.

Table 63
Average Rents by Unit Type
Housing and Community Sustainability Nexus Study

Type	Studio	1 BR	2BR	3 BR	4 BR+
Apartment	\$630	\$760	\$880	\$1,130	\$1,640
Townhome	---	\$660	\$730	\$1,220	\$1,575
Single Family Home	---	<u>\$750</u>	<u>\$860</u>	<u>\$1,260</u>	<u>\$1,700</u>
Weighted Average	\$620	\$750	\$830	\$1,230	\$1,620
HUD Fair Market Rent, 2006	\$675	\$803	\$907	\$1,166	\$1,471
% Difference from Market	8.9%	7.1%	9.3%	-5.2%	-9.2%

Source: Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-RentalRates_06-08-07.xls\Summary

Recent Changes in Market Conditions

Interviews with rental property management representatives indicate that the rental market has recently strengthened. Over the last two years, rents have rebounded to the high rents reached in the early 1990s. Vacancy is currently 3 to 5 percent, which indicates a tight supply of rental housing. Vacancies this low typically stimulate new construction, however the limited supply of multifamily land is reportedly constraining the rental market.

Property managers attribute the recent strengthening of the market directly to two factors. First, the rapid increase in housing prices over the past three years has priced out many potential buyers from the for-sale market. Second, the loss of 800 to 900 units to condo conversions has decreased the supply of rental housing. Managers report receiving new tenants who lived in apartments that have since been converted to condominiums.

Rental Affordability

The HUD FMRs for Flagstaff are compared to the AMI range at the appropriate household size required to afford that rent in **Table 64**. The HUD standard of 1.5 persons per bedroom and 1.0 for studio/efficiency units was used to correlate income with household and unit size. As shown, studio units are affordable to people earning 56 to 61 percent of AMI depending if HUD FMR or market rents from the rental survey are used. One and two bedroom units are affordable to households earning 60 to 70 percent of AMI. Based on the rental survey, three and four bedroom units require incomes of 100 to 140 percent of AMI and higher to be affordable. This is considerably higher than the 80 percent of AMI required using HUD FMR.

The analysis shows that free market rentals in the one and two bedroom category can serve households earning 60 to 80 percent of AMI. There, however likely to be some rent burdening for renters in the 60 to 70 percent of AMI ranges. Large households or families who need three or four bedrooms will experience affordability problems if they earn less than 100 percent of AMI. This group may warrant further investigation with local rental providers to determine the demand for these large unit types, as rental units in this size range represent approximately 8 to 10 percent of the professionally managed rental inventory (not including individually owned rental homes). There is reportedly a significant amount of three and four bedroom rental inventory in individually owned homes, indicating some need for larger rental units.

Table 64
Rental Rates and Affordable Income Range
Housing and Community Sustainability Nexus Study

Type	Household Size 1.5 per BR	Rental Survey			HUD Fair Market Rent		
		Market Rent	Income Required 35%	Affordability Range (% of AMI)	HUD FMR	Income Required 35%	Affordability Range (% of AMI)
Studio	1.0	\$620	\$21,257	56%	\$675	\$23,143	61%
1 Bedroom	1.5	\$750	\$25,714	63%	\$803	\$27,531	68%
2 Bedroom	3.0	\$830	\$28,457	70%	\$907	\$31,097	64%
3 Bedroom	4.5	\$1,230	\$42,171	104%	\$1,166	\$39,977	71%
4 Bedroom	6.0	\$1,620	\$55,543	137%	\$1,471	\$50,434	80%

Source: Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-RentalRates_08-06-07.xls\FMR

Renter Cost Burden

There is a high degree of housing cost burden among renters, defined as paying more than 35 percent of income on housing. A total of 39 percent of renter households are considered cost burdened compared to 15 percent of owner households, as shown in Table 65.

Table 65
Cost Burdened Households by Tenure
Housing and Community Sustainability Nexus Study

Tenure	% of Income to Rent or Mortgage					Total
	< 20%	20-30%	30-35%	35-50%	> 50%	
Owners	52%	25%	9%	9%	6%	100%
Renters	22%	30%	9%	16%	23%	100%

Note: Cost burdened is defined as paying more than 35% of income to rent or mortgage.

Source: Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-AH_Indicators.xls\CostBurd_Range

Cost burdened renters are concentrated below 60 percent of AMI, or 38 percent of all renters, as shown in **Table 66**. Fifteen percent of households earning less than 30 percent of AMI are paying more than 50 percent of income towards rent. The largest group of cost burdened renters is in the 30 to 60 percent of AMI category, with 19 percent of total renters. The 60 to 80 percent of AMI category also contains cost burdened renters accounting for 5 percent of all renters, indicating that there are renters on the fringe of affordability problems between 60 and 80 percent of AMI. Cost burdened renters between 60 and 80 percent of AMI will have difficulty moving to ownership because of the difficulty in saving money for a down payment and due to the lack of affordable ownership housing options at this income level.

Table 66
Renter Cost Burden by AMI
Housing and Community Sustainability Nexus Study

AMI	% of Income to Rent or Mortgage					Total	Total Cost Burdened ¹ > 35%
	< 20%	20-30%	30-35%	35-50%	> 50%		
0 - 30%	0.0%	0.0%	0.0%	0.0%	14.8%	14.8%	14.8%
30.1% - 60%	0.0%	1.2%	2.4%	11.3%	8.0%	22.8%	19.3%
60% - 80%	1.2%	6.8%	4.7%	5.0%	0.0%	17.8%	5.0%
80.1% - 100%	0.9%	12.8%	1.5%	1.2%	0.0%	16.3%	1.2%
100.1 - 125%	2.4%	5.9%	0.0%	0.0%	0.0%	8.3%	0.0%
125.1 to 150%	8.0%	1.8%	0.0%	0.0%	0.0%	9.8%	0.0%
> 150%	10.1%	0.0%	0.0%	0.0%	0.0%	10.1%	0.0%
Total	22.6%	28.5%	8.6%	17.5%	22.8%	100.0%	40.4%

¹ Total cost burden is 39%; cross tabulations of survey results by AMI result in a slightly higher number here.

Source: Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-AH_Indicators.xls\CostB_AMI

AFFORDABLE RENTAL INVENTORY

The existing inventory of affordable (income restricted) rental property is 1,259 units including Section 8 rental vouchers, as shown in **Table 67**. There are 495 units in the 0 to 30 percent category, 741 in the 30 to 60 percent category, and 23 at 60 to 80 percent of AMI. As shown, approximately 60 percent of the affordable rental inventory is targeted to households between 30 and 60 percent of AMI.

Table 67
Affordable Rental Housing Inventory
Housing and Community Sustainability Nexus Study

Program / Desc.	Type	Year of Tax Credit	Income Range (% of AMI)	# Units
< 30% AMI				
Section 8 Vouchers	Rental	---	0-30%	314
Housing Authority Public Housing	Rental	---	0-30%	<u>181</u>
Subtotal				495
30 - 60% AMI				
Section 8 Vouchers	Rental	---	30-50%	6
Housing Authority Public Housing	Rental		30-60%	74
Flagstaff Housing Corporation (Clark Homes)	Rental	---	0-50%	80
Pinehurst Apartments	Rental - LIHTC	2003	30-60%	83
Timber Trails	Rental - LIHTC	2004	40-60%	64
Village at Lake Mary Crossing	Rental - LIHTC	1994	0-60%	124
Oakwood Village I & II	Rental - LIHTC	1998	20-60%	144
Sandstone Highlands Senior Community	Rental - LIHTC	2003	30-60%	70
Mountainside Village I & II	Rental - LIHTC	1995	60%	80
Sharon Manor (BOTHANDS)	Transitional - LIHTC	2000	0-60%	<u>16</u>
Subtotal				741
Subtotal, 0 - 60%				1,236
60 - 80% AMI				
Section 8 Vouchers	Rental	---	50-80%	13
Housing Authority Public Housing	Rental	---	60-80%	<u>10</u>
Subtotal				23
Total				1,259

Source: City of Flagstaff, Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-AH_Indicators.xls\AH Inv

V. HOUSING NEEDS

This chapter estimates current and forecasts future needs for workforce ownership and rental housing in Flagstaff based on expected employment growth. The analysis uses HUD 2006 income definitions to be consistent with the time period for which residential sales data was available. The chapter is divided into two major sections following this introduction: workforce ownership housing needs and workforce rental housing needs.

The income distribution for Flagstaff households is shown by AMI Range in **Table 68**. Owner households are concentrated above 175 percent of AMI, with 43 percent of all owner households. Another 30 percent of owner households are distributed between 80 and 150 percent of AMI. Only 17 percent of owner households have incomes below 80 percent of AMI. Most homeowners in these lower income ranges likely purchased their homes many years ago when prices were lower, or are people living in homes with mortgages that have been paid off.

The majority of renters are at 30 to 100 percent of AMI, with 55 percent of renter households. The range from 0 to 100 percent of AMI contains 71 percent of the renter households compared to 23 percent of owners.

Table 68
Households by AMI and Tenure
Housing and Community Sustainability Nexus Study

AMI Range	Household Income Range ¹	Tenure		All Households	Cumulative Percent
		Owners	Renters		
0 - 30%	\$0 - \$13,825	2.2%	16.2%	9.6%	9.6%
30.1% - 60%	\$13,826 - \$27,644	9.2%	22.2%	16.0%	25.6%
60% - 80%	\$27,645 - \$36,850	5.4%	17.0%	11.5%	37.1%
80.1% - 100%	\$36,851 - \$46,073	5.7%	15.6%	10.9%	48.1%
100.1 - 125%	\$46,074 - \$57,591	10.4%	8.5%	9.4%	57.5%
125.1 to 150%	\$57,592 - \$69,110	13.0%	10.8%	11.8%	69.3%
150.1 to 175%	\$69,111 - \$80,628	11.1%	2.3%	6.4%	75.7%
Over 175%	> \$80,628	43.0%	7.4%	24.3%	100.0%
Total		100.0%	100.0%	100.0%	

¹ Based on a 2.5 person household size. The HUD Median income for a family of 4 is \$54,200

Source: Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-AH_Indicators.xls\HH_AMI

OWNERSHIP WORKFORCE HOUSING NEEDS

Estimating the demand for ownership workforce housing consists of two components: the current level of unmet demand and the future demand related to job growth in Flagstaff. This is analogous to the management of the City's hard infrastructure, whereas there are a number of deferred maintenance items that must be addressed (catch up), as well as the infrastructure needs tied to future growth (keep up).

The home purchase price that is affordable to a 2.5 person household at each income range is shown in **Table 69**. The affordable price is based on 35 percent of annual income used for total housing payments including principal, interest, private mortgage insurance (PMI), and taxes. The estimated home price is the present value of the mortgage payment capability assuming a 7.0 percent fixed interest rate for 30 year term with a 5 percent down payment. As shown, a 2.5 person household earning the median income of \$46,073 can afford a home priced up to \$167,500. Households at 80 to 150 percent of AMI have annual incomes of \$36,850 to \$69,110 per year. Based on these housing cost estimates, they could afford housing priced up to \$255,700.

Table 69
Affordable Home Prices by AMI
Housing and Community Sustainability Nexus Study

Description	Factor	AMI Level				
		60%	80%	100%	125%	150%
Maximum Income ¹		\$27,644	\$36,850	\$46,073	\$57,591	\$69,110
Housing Payment Capability						
Monthly Mortgage Payment	35% of Income	\$806	\$1,075	\$1,344	\$1,680	\$2,016
Insurance	\$800/Yr.	-\$70	-\$70	-\$70	-\$70	-\$70
PMI	0.75%	-\$60	-\$80	-\$105	-\$130	-\$160
Taxes ²	0.745%	-\$70	-\$90	-\$110	-\$140	-\$170
Net Avail. For Mortgage		\$606	\$835	\$1,059	\$1,340	\$1,616
Target Purchase Price						
Loan Amount	7.0% Interest	\$91,100	\$125,500	\$159,100	\$201,400	\$242,900
Down Payment	5%	5%	5%	5%	5%	5%
Loan to Value Ratio		95%	95%	95%	95%	95%
Target Purchase Price		\$95,900	\$132,100	\$167,500	\$212,000	\$255,700

¹ Based on a household size of 2.5.

² Estimate from a housing price of [Household Income X 4] x 0.745% average tax rate.

Source: Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-Gap2006-06-05-07.xls\4-Purch_Capability

In 2006, there were 170 sales that were affordable to households earning less than 150 percent of AMI. Through the City's CHAP (125 percent of AMI), FHAP (80 percent of AMI), and NACOG's down payment assistance programs (80 percent of AMI), and sales of 12 deed restricted townhomes in the Rio Homes project (80 percent of AMI), an additional 27 sales were created through assistance for a total of 197 sales priced up to 150 percent of AMI, as shown in **Table 64**. While current programs extend to 125 percent of AMI, the CLTP expands to 150 percent of AMI, opening up more homeownership opportunities.

The assisted sales identified do not include other housing assistance programs, such as those through BOTHANDS or State of Arizona programs, as information was not readily available for these programs, suggesting that the percentage of assisted sales may be higher. The assisted sales identified above added 2.7 percent to the market affordable to those earning less than 150 percent of AMI. The data illustrate that currently only 20 percent of the market is affordable as ownership workforce housing.

Table 70
Home Sales by Affordable Price Range and AMI
Housing and Community Sustainability Nexus Study

Household Income ¹		Affordable Price Range	Market Sales	Assisted Sales	Total Sales	Percent
% of AMI	\$					
0 - 60%	\$0 - \$27,644	\$0 - \$95,900	2	0	2	0.2%
60.1 - 80%	\$27,645 - \$36,850	\$95,901 - \$132,100	14	18	32	3.2%
80.1 - 100%	\$36,851 - \$46,073	\$132,101 - \$167,500	27	0	27	2.7%
100.1 - 125%	\$46,074 - \$57,591	\$167,501 - \$212,000	55	9	64	6.3%
125.1 to 150%	\$57,592 - \$69,110	\$212,001 - \$255,700	72	0	72	7.1%
150.1% +	> \$69,110	> \$255,700	812	0	812	80.5%
Total			982	27	1,009	100.0%
Total 0 - 150% AMI			170	27	197	
% 0 - 150% AMI			16.8%	2.7%	19.5%	

¹ Based on a 2.5 person household size. The HUD Median income for a family of 4 is \$54,200

Source: State of AZ CIs Dept.; Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-Gap2006-01-18-07.xls]5-Supply

CURRENT WORKFORCE OWNERSHIP HOUSING NEEDS

The current level of unmet ownership housing demand consists of renters in the 80 to 150 percent of AMI category who are interested in homeownership. This analysis does not assume additional subsidy to existing homeowners. As shown in **Table 71**, there are 10,400 renter households in the City, including approximately 3,300 off-campus student households. Since the analysis focuses on the local labor force, student households are removed. After deducting student households, there are 7,100 resident households. Thirty-five percent of renter households earn between 80 and 150 percent of AMI, which results in 2,470 households that would qualify for the City's housing assistance programs.

The household survey asked people's level of interest in purchasing a home, and 32 percent of renters in the 80 to 150 percent of AMI category indicated interest in buying a home in the next three years. Applying this percentage results in unmet demand for 796 housing units affordable to these households.

Communities with high housing costs, especially mountain communities with a substantial second home inventory, find it necessary to expand housing programs above 80 percent of AMI (the traditional ceiling for affordable housing defined by HUD) because housing costs are so high that even residents who earn more than the median income cannot find adequate housing. However there is little HUD funding for programs above 80 percent of AMI, meaning that local and state funding and proactive land use policies are needed to address housing issues for households above 80 percent of AMI.

Table 71
Estimated Unmet Demand for Workforce Ownership Housing
Housing and Community Sustainability Nexus Study

Description	Factor	Source / Notes
Occupied Housing Units	21,159	EPS Estimates adjusted for 2nd Homes 2007 Survey and 2000 Census
Renters	<u>49%</u>	
Renter Households	10,368	
Less NAU Off Campus Student Households	<u>-3,300</u>	11,000 students off campus. Estimated that 90% live in rental housing within City limits, with 3.0 persons per unit
Resident Households	7,068	
Renter Households 80 to 150% AMI	<u>35%</u>	2007 Household Survey
Renter Households 80 to 150% AMI	2,470	
% Interested in Buying a Home, 80-150% AMI	<u>32%</u>	2007 Household Survey
Current Unmet Need	796	

Source: Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-AH_Indicators.xls\Rent_to_Buyers_150

Through additional subsidy and assistance (e.g., additional down payment assistance), ownership housing is also possible below 80 percent of AMI. However, the lower the AMI, the greater the housing subsidy needed. For planning purposes, if additional resources become available, and if the community identifies a goal of providing additional ownership assistance to households in the 60 to 80 percent AMI ranges, the estimated needs are shown in **Table 72**. There are approximately 1,200 renter households in the 60 to 80 percent AMI category. Seventeen percent of that income group has expressed interest in buying a home, indicating a current demand of 209 units affordable to this income group.

Table 72
Estimated Current Demand for Ownership Housing at 60-80% AMI
Housing and Community Sustainability Nexus Study

Description	Factor
Resident Households	7,068
Renter Households 60 to 80% AMI	<u>17%</u>
Renter Households 60 to 80% AMI	1,205
% Interested in Buying a Home, 60-80% AMI	<u>17%</u>
Current Unmet Need	209

Source: Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-AH_Indicators.xls\Rent_Buyers_80

FUTURE WORKFORCE OWNERSHIP HOUSING NEEDS

The demand for future workforce ownership housing for the Flagstaff Area is based on the employment and household forecast shown in Chapter II. The housing need forecasts assume that the current gaps between incomes and home prices remain constant and do not widen further. Therefore, this is a conservative projection of future needs. The forecast for workforce housing needs for the Flagstaff region for the 2006 to 2021 forecast period is shown in **Table 73**. It begins with the existing unmet need of 796 housing units. Including second homes, total housing demand is approximately 5,400 units per five-year period. Eighty percent of new housing is forecast to be for resident employees, at 4,300 units per five-year period for a regional total of 13,000 from 2006 to 2021. Based on the current tenure distribution, a 51 percent homeownership rate is applied.

Based on the current income profile, 32 percent of all households are in the 80 to 150 percent of AMI income range. This calculation results in an estimated need for 710 new ownership workforce households over each five-year period and a total of 2,100 by 2021 to keep up with new demand. This is equivalent to 13 percent of regional housing demand. If the current unmet need were included, there would be a need for a total of approximately 2,900 ownership workforce housing units.

The potential ownership demand at 60 to 80 percent of AMI is also shown as a separate calculation in **Table 73**. As shown, there are approximately 200 households in this income range interested in purchasing a home. New demand related to employment growth is estimated at 760 units over the next 15 years.

Table 73
Ownership Workforce Housing Needs, 2006-2021
Housing and Community Sustainability Nexus Study

Description	Factors	2006	2011	2016	2021	Total	% of New Housing Demand
80-150% AMI Ownership Needs							
Current Unmet Need ¹	A	796					
Regional Housing Demand			5,406	5,406	5,406	16,219	100%
New Employee Households			4,325	4,325	4,325	12,975	80%
Ownership Housing (Employee Households)	51%		2,206	2,206	2,206	6,617	41%
Ownership Workforce Needs (80-150% AMI) ²	B 32%		710	710	710	2,130	13%
Total Need Incl. Current Unmet	A + B	1,506	2,216	2,926		2,926	---
Other Ownership Needs (60-80% AMI)							
Current Unmet Need	C	209					
Ownership Workforce Needs (60-80% AMI) ²	D 11.5%		254	254	254	763	4.7%
Total Need Incl. Current Unmet	C + D		463	717	971	971	6.0%

Source: Economic & Planning Systems

¹ Renters at 80 to 150% of AMI interested in buying a home.

² Based on current income distribution of all households.

H:\16891-Flagstaff Housing Nexus Study\Models\9-2007\16891-NeedFcst10-10-07.xls\Need2

RENTAL WORKFORCE HOUSING NEEDS

CURRENT RENTAL HOUSING NEEDS

The demand for rental housing is estimated using the same method used for ownership housing above. The current unmet need is estimated, and combined with the future needs tied to employment growth to forecast the total need for a 15-year demand projection.

The 30 to 60 percent income range is the income range of many entry-level retail and service employees. This is also the primary income range served by Low Income Housing Tax Credit (LIHTC) developments, which is an effective and widely used program. If resources are available, the City could also consider rental programs for households who need larger units and may earn more than 80 percent of AMI. Promoting additional multifamily development could help increase the supply of larger rental units. Examples of tools the City can use to increase the rental housing supply are provided in the Housing Action Plan.

The current need for affordable rental housing is estimated in **Table 74**. As shown, there are approximately 10,400 renter households in Flagstaff. This includes approximately 3,300 student households who live off campus. Based on conversations with NAU staff an estimated 10 percent reduction was applied to the off campus student total to account for those living in ownership housing, leaving a total of 7,100 local resident units. Twenty-two percent of renter households earn between 30 and 60 percent of AMI, which is the target income group for subsidized rental housing, resulting in 1,500 renter households at 30 to 60 percent AMI. The existing inventory of 741 units of income restricted rental housing (including the Sandstone Heights senior housing) is deducted since those units are occupied and not available to other households in need. This results in an estimated gap of 790 units for households between 30 and 60 percent of AMI.

Table 74
Current Rental Housing Gap, 30 to 60% AMI
Housing and Community Sustainability Nexus Study

Description	Factor	Source / Notes
Occupied Housing Units	21,159	EPS Estimates adjusted for 2nd Homes
Renters	<u>49%</u>	2007 Survey and 2000 Census
Renter Households	10,368	
Renter Households in Flagstaff	10,368	
Less NAU Off Campus Student Households	<u>-3,300</u>	11,000 students off campus. Estimated that 90% live in rental housing within City limits, with 3.0 persons per unit
Local "Workforce" Households	7,068	
Renters, 30-60% AMI	<u>22%</u>	
Renters, 30-60% AMI	1,531	
Existing Affordable Inventory, 30-60% AMI	-741	30-60% AMI Rental Inventory
Current Rental Gap	790	Additional Units Needed

Source: Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-AH_Indicators.xls\Renters_30_60

FUTURE WORKFORCE RENTAL HOUSING NEEDS

A forecast for rental housing need at 0 to 80 percent AMI is shown in **Table 75**. The needs below 30 percent AMI are addressed separately at the end of this section. Based on the current tenure distribution, 49 percent of new households are expected to be renters. By applying the current income distribution for each income segment of renters to the future job and household growth, rental needs are forecasted to 2021 in **Table 75**. To keep up with employment growth, 1,400 units are needed at 30 to 60 percent of AMI, plus 1,100 units at 60 to 80 percent of AMI. Some of the need at 60 to 80 percent can be addressed by the market, and land use policy should anticipate this need as noted in the Housing Action Plan

The subsidized rentals at 30 to 60 percent of AMI would account for 9 percent of total housing demand. Free market rentals (60 to 80 percent of AMI) are approximately 7 percent of total new demand.

Table 75
Projected Workforce Rental Housing Needs
Housing and Community Sustainability Nexus Study

Description	Factors	Existing Need in 2006	Future			Total	% of New Housing Demand
			2011	2016	2021		
Regional Housing Demand			5,406	5,406	5,406	16,219	100.0%
New Employee Households			4,325	4,325	4,325	12,975	
New Renter Households	49%		2,119	2,119	2,119	6,358	
Subsidized Rentals and Special Needs (0-30%)	16%		339	339	339	1,017	6.3%
Subsidized Rentals (30-60% AMI)	22%		470	470	470	1,409	8.7%
Free Market Rentals (60-80% AMI)	17%		<u>361</u>	<u>361</u>	<u>361</u>	<u>1,084</u>	<u>6.7%</u>
Total Rental Needs 0-80% AMI			1,170	1,170	1,170	3,510	21.6%
Current Unmet Need 30-60% AMI		790					
Current Unmet Need 60-80% AMI ¹		<u>900</u>					
Total Including Existing Needs		1,690	2,860	4,030	5,200	5,200	

¹ Units lost to condominium conversions.

Source: Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\9-2007\16891-NeedFest10-10-07.xls\RenterNeed2

Renters between 60 and 80 percent of AMI are also experiencing affordability and housing availability problems. The market rate rental market has less than a 5 percent vacancy, which indicates a shortage in rental housing. This will make it difficult to find housing for new employees who are moving to Flagstaff, as rental housing is a flexible short term housing option for many people. The shortage of rental housing also impacts people who cannot afford to buy and need to find rental housing. The City should focus on land use policies identified in the Housing Action Plan to encourage the private market to build more rental housing for this income group. If land use policy implementation is sufficient to catalyze the market to produce more rental housing, direct City funding can be used to fund additional ownership assistance for these households, and low-income rental housing.

The recent condominium conversion projects will also affect this income group, which is 17 percent of all renters. Flagstaff has lost approximately 900 units of free market rentals to condominium conversion projects in the last two years, which equates to nearly 9 percent of total renter occupied housing units. These condominium conversion projects are largely priced from \$150,000 to \$200,000, which is affordable to households earning 80 to 125 percent of AMI. Although these conversions are providing some entry-level ownership housing for small households, it is having a negative impact on the rental housing inventory.

OTHER NEEDS

The Flagstaff Housing Authority also recently completed an analysis that shows a need for low income senior housing. While not part of this study, low income senior housing needs should also be considered part of the City's housing strategy.

Needs in the 0 to 30 percent category are difficult to estimate due to the characteristics of this population and their tendency to be underrepresented in surveys and Census counts. Traditional low income rental housing does not adequately address the needs of some of this population, which can include the homeless, and people with illnesses or disabilities. Transitional housing, facilities for the homeless, and housing that also provides health and social services is needed to address this population. There is very little federal funding available to expand existing programs, therefore additional local funding would be needed to expand housing opportunities below 30 percent of AMI.

COMMUNITY WORKFORCE HOUSING GOALS

The employment and housing demand forecasts form the basis for determining an appropriate workforce housing goal for future development. The total regional housing demand for the next 15 years is estimated at 16,200 units, as shown in **Table 76**. It includes all housing market segments from subsidized rental housing, entry-level ownership, and more expensive move-up housing and second homes. The employment forecast estimates growth of 12,975 new employee households by 2021, after deducting second homes and adjusting for multiple job households.

The employment and housing demand projections reflect the larger FMPO region. To calculate a workforce housing goal for the City of Flagstaff, an adjustment for commuting must be made. The survey of Flagstaff employers found that 84 percent of the workforce lives within City limits. To maintain the current level of commuting and account for commuting by choice, the new ownership and renter households generated by employment growth are multiplied by 84 percent to estimate new Flagstaff residents.

Using the current ownership rate of 51 percent and the household income distribution of 32 percent at 80 to 150 percent of AMI, employment growth generates a need for 2,130 units of new ownership workforce housing. After adjusting for commuting, approximately 1,789 ownership workforce housing units are needed in Flagstaff, or 11 percent of the region's housing demand.

The same method is applied to estimate workforce rental housing demand from 30 to 80 percent of AMI. Based on employment growth, 6,358 new renter households are generated. Twenty-two percent are expected to be between 30 to 60 percent of AMI and 17 percent are expected at 60 to 80 percent. After adjusting for commuting, 2,094 new rental units are needed in Flagstaff, or 12.9 percent of the housing demand. In total, this study supports a workforce housing goal of 24 percent.

Table 76
Workforce Housing Goal
Housing and Community Sustainability Nexus Study

Description	Factor	Housing Units	% of Total	
Regional Housing Demand (New Units 2006-2021)		16,200	100.0%	
New Employee Households, 2006-2021		12,975		
Owners	51%	6,617		
Renters	49%	6,358		
Ownership Workforce Housing, 80-150% AMI				
Ownership Households		6,617		
Ownership Households, 80-150% AMI	32%	2,130		
Flagstaff Residents, 80-150% AMI	84%	1,789	11.0%	A
Rental Workforce Housing, 30-80% AMI				
Renter Households		6,358		
Renter Households, 30-60% AMI	22%	1,409		
Renter Households, 60-80% AMI	17%	1,084		
Total Renter Households, 30-80% AMI		2,493		
Flagstaff Residents, 30-80% AMI	84%	2,094	12.9%	B
Total Workforce Housing Need, 2006-2021		3,883	24.0%	A + B

Source: Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\9-2007\16891-NeedFor10-10-07.xls\Sheet1

COMMUNITY LAND TRUST PROGRAM

The CLTP is one tool available for addressing workforce housing needs. If the CLTP could address 25 percent of the new demand for ownership workforce housing at 60 to 150 percent of AMI, it would need to build just over 700 units over the next 15 years. The 700-unit production target is equivalent to 40 to 50 units per year, or only 4 percent of total regional housing demand, as shown in **Table 77**.

This only represents the demand tied to new growth, and does not address existing deficits. There is an estimated shortfall of 796 units in the 80 to 150 percent of AMI category, and 209 units at 60 to 80 percent of AMI.

Table 77
Potential Role of CLTP
Housing and Community Sustainability Nexus Study

Description	Factor	2006-2011	2012-2016	2017-2021	Total 2006-2021	Annual Average	% of New Housing Demand
Regional Housing Demand		5,406	5,406	5,406	16,219	1,081	100%
New Workforce Needs (80-150% AMI)		710	710	710	2,130	142	13%
New Workforce Needs (60-80% AMI)		<u>254</u>	<u>254</u>	<u>254</u>	<u>763</u>	<u>51</u>	<u>5%</u>
Total Ownership Workforce Housing		964	964	964	2,893	193	18%
Land Trust Program	25%	241	241	241	723	48	4%

Source: Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\9-2007\16891-NeedPost10-10-07.xls\CLTP

VI. CONCLUSIONS AND HOUSING ACTION PLAN

This chapter presents a summary of the study's major findings, conclusions, and options for implementation. The Conclusions section is divided into three sections:

- **Conclusions:** A discussion of major findings related to housing, land use, employment, and economic sustainability.
- **Economic Development Recommendations:** Provides recommendations related to economic development and the nexus between community development, economic development, and workforce housing.
- **Housing Action Plan:** Provides a road map and a menu of policy options for increasing workforce housing opportunities to address the identified economic development and workforce housing needs.

CONCLUSIONS

HOUSING AND LAND USE

This study has shown that the gap between workforce incomes and housing prices has dramatically impacted housing affordability in Flagstaff. The median home price increased from \$165,000 in 2000 to \$380,000 in 2006, which is an average growth rate of 14.9 percent per year. Housing prices are appreciating faster than wages and household income. Wages increased by an average of 4.2 percent from 2000 to 2006 and household income increased by 2.6 percent per year over the same time period. As a result, the median home price is now 11.8 times greater than the average wage and 8.4 times the median household income.

These rapid increases in housing appreciation are part of a larger regional phenomenon that includes Phoenix and Las Vegas. However, the presence of a growing second home market in Flagstaff compounds the City's affordability problems. The Phoenix and Flagstaff markets have begun to cool and housing price growth is slowing. Even if housing prices drop 5 to 10 percent from their current levels, it will not substantially alleviate the current affordability problem. Prices in Flagstaff would need to fall to less than half of the current median price to bring them back to pre-2000 levels. Even with the market downturn, the affordability gap in Flagstaff is significantly greater than in the Phoenix market. Median housing prices are approximately \$100,000 greater in Flagstaff (\$380,000 compared to \$264,900), whereas Flagstaff's median income of \$45,000 is nearly the same as the Phoenix metro area median income of \$45,500.

Second homes are a significant part of the local housing market in Flagstaff. From 1994 to 2003, second homes accounted for approximately 20 percent of residential sales. However, in 2005 and 2006, non-local buyers and investors accounted for 30 percent of the market. As new construction becomes more expensive, as indicated by current housing development projects, and as the overall market appreciates, it can be expected that the number of second homebuyers will continue to increase. In many mountain communities, this trend has displaced local resident wage earners.

The market appreciation in Flagstaff has driven up the price of land for residential development. A single family lot ready for construction currently ranges from 25 to 35 percent of the price of a new home. There are very few lots available for less than \$150,000. This lot price results in a new single family home price of approximately \$500,000. It is reported that much of the remaining buildable land presents site design and construction challenges that further increase construction costs.

Given this scarcity of buildable land and the desirability of Flagstaff, new areas of the City and region will come under pressure for development. A tabulation of major State Land and U.S. Forest Service parcels with residential development potential indicates an additional 2,425 acres of land with the potential to contain approximately 9,700 dwelling units. The total potential inventory would provide approximately a 15-year supply of developable land based on current average construction of 600 units per year.

The employment and housing projection presented in Chapter II suggests that total regional housing demand will be approximately 16,200 units over the next 15 years, indicating a gap of 6,500 housing units over what could be accommodated on these major land parcels. If these projections are met, planners and policymakers should anticipate that there will be pressure to develop other areas of the Flagstaff region. The community should begin to discuss growth choices for the Flagstaff region. Updating the Regional Land Use and Transportation Plan should be part of this effort.

To minimize the impacts of sprawl and urbanization, the community needs to decide on an acceptable balance between infill and redevelopment, and how growth occurs in new growth areas, including major State Land and Forest Service parcels if they come into play. There will also be increased development pressure in unincorporated Coconino County around Flagstaff. The City and County will need to continue to work together to achieve a common vision. The Land Development Code should also be a tool to implement these growth choices.

The housing needs analysis indicates the current demand for workforce ownership in the 80 to 150 percent of AMI range is approximately 800 housing units. Based on 2006 to 2021 employment and household forecasts for the region, there will be an additional demand of 2,100 units or approximately 140 units per year affordable to households earning 80 to 150 percent of AMI. This represents 13 percent of the regional housing demand of 16,200 units over the next 15 years.

There is also a significant need for workforce rental housing particularly in the 30 to 60 percent of AMI range. Tourism and regional trade center jobs in the retail trade and accommodations sectors account for one-quarter percent of the job base in Flagstaff and are expected to continue to be a similar component of future growth. At 30 to 60 percent of AMI, there is a current need for 790 rental units and a projected need of 1,400 units over the next 15 years to accommodate workers in these job categories. There is an additional need for 900 rental units at 60 to 80 percent of AMI to address the backlog of renter needs, and a 15-year need of 1,100 units. In total, this study documents that rental and ownership workforce housing needs will account for 28 percent of the regional housing demand over the next 15 years and 24 percent of demand in the City. These housing need estimates do not include residents earning less than 30 percent of AMI or senior housing needs.

EMPLOYMENT

The Flagstaff area has a healthy and growing economy. Coconino County total employment reached 79,500 jobs in 2005. Over the 2000 to 2005 time period, the County added an average of nearly 1,900 jobs or an average of 2.6 percent growth per year. Based on an analysis of local employment records provided to the City by the Arizona Department of Economic Security, approximately 65 percent of total County jobs and 58 percent of recent job growth are in the Flagstaff area. The current Flagstaff unemployment rate is at a recent historic low of 4 percent (year to date).

Government is the largest sector in Coconino County with 16,000 jobs or 20 percent of the total. Accommodation and Food Services (lodging, restaurants, and bars) is the next largest industry sector, with 11,700 jobs. Retail Trade accounts for almost 9,000 jobs in the County. Together, these two industries contain 20,700 jobs, or 26 percent of the total. Other major industries in Coconino County include Health Care with 8,200 jobs, Construction with 4,900 jobs, Manufacturing with 3,700 jobs, Real Estate with 4,400 jobs, Professional and Technical Services (e.g., lawyers, accountants, and engineers) with 3,800 jobs, and Administrative with 3,200 jobs.

The greatest growth from 2001 to 2005 was in Accommodation and Food Services (1,470 jobs), Real Estate (1,397 jobs), Health Care (1,081 jobs) and Construction (927 jobs). Together, these sectors accounted for 53 percent of total job growth in Coconino County.

A large percentage of recent job growth is due to self-employed or sole proprietors. Based on BEA figures, sole proprietors have increased from 16 percent of total jobs in 1990 to 24 percent in 2005. Sole proprietors accounted for 11,124 new jobs, or 36 percent of the job growth from 1990 to 2005. Proprietor employment grew by 6.0 percent per year over this time period, compared to 3.3 percent for total job growth.

Overall wages are 11 percent lower in Coconino County than in Maricopa County. Registered nurses earn 15 percent less than their peers in Maricopa County and Medical Information and Record Clerks earn 14 percent less. Retail managers earn 7 percent less than retail managers in Maricopa County, Computer Programmers earn 3 percent less, and Biomedical Engineers earn 11 percent less. Police and Sheriff's Patrol Officers earn 5 percent less. Current job openings show the greatest demand is in the health care sector with 136 current openings or over 28 percent of total job openings.

Flagstaff has not yet experienced the out migration of local employees to the extent seen in other high-cost mountain communities in the Western U.S. Currently, approximately 84 percent of the workforce lives within the City limits, and an additional 13 percent live in within the FMPO area, indicating that approximately 97 percent of the labor force still resides in the local area.

The Flagstaff employer survey completed for this project documented that major local employers are experiencing recruitment and retention issues. The wage differences are a factor, but not the only factor. The employer survey, as well as the household survey, indicated that housing costs and a lack of employment opportunities for spouses/partners were also key factors influencing employment decisions.

ECONOMIC SUSTAINABILITY

There is a direct link between an adequate housing supply and adequate labor force supply. Therefore, Flagstaff's motivation to address workforce housing is that it is needed to attract and retain jobs and employees and to help build a stable and equitable community. Workforce housing is therefore part of a broad economic and community sustainability strategy.

Continued job growth is important to economic sustainability. Job growth can come from business attraction, expansion, or new business formation. A strong economic development program can market the Flagstaff region for business and manufacturing expansions and relocations. There are, however, relatively few of these major moves per year and it is highly competitive on a national scale. Compared to large metropolitan areas, Flagstaff is not a strong competitor for large new facilities because of its small size and small labor force, remote location, and high housing costs.

The number of new jobs generated from the retention and expansion of existing businesses has been and will continue to be the source of the most economic growth. One-third of Flagstaff's job growth has come from individual entrepreneurs already living in Flagstaff and from entrepreneurs relocating to Flagstaff for the quality of life. The cumulative addition and expansion of smaller high-wage firms can be as beneficial as successfully recruiting one large high-wage firm.

The City should continue to compete for high paying high skill jobs, but should balance national recruitment with community-based economic development, which focuses on business retention and growing new businesses from the local entrepreneurial talent pool. Small high wage entrepreneurial firms that are attracted to high amenity locations, and retaining and fostering existing businesses should be areas of focus for the City. The quality of life location requirements for these groups reinforce the importance of maintaining and enhancing the quality of life in Flagstaff.

ECONOMIC DEVELOPMENT RECOMMENDATIONS

As mentioned above, economic sustainability is not one distinct policy. It is the combination of a larger vision of community and quality of life. There are, however, a number of more specific economic development recommendations for the City to consider. The City is already involved in several of these items.

- **Community Infrastructure** – The primary role of City government is to provide and maintain community services and infrastructure. The City should adopt an expanded definition of community infrastructure to include workforce housing, quality schools (primary, secondary, and higher education), natural resources, and recreation and cultural amenities in addition to the traditional hard infrastructure. By leveraging and continually improving the quality of life, Flagstaff can position itself as one of the best places to live in the Southwest.
- **Workforce Housing** – Housing costs are affecting Flagstaff's ability to compete for new employers, and are affecting the ability of employers to attract and retain employees. Over time, this will contribute to a labor force shortage that could stifle economic growth in Flagstaff. Workforce housing is directly linked to the sustainable economic growth of the City.
- **Workforce Development** – The City's educational institutions can be leveraged to improve workforce delivery to local employers.
 - **Northern Arizona University** – Each graduating class represents a source of educated and skilled labor for Flagstaff businesses. The City and NAU could work to expand internship programs with local businesses to help make stronger linkages between the University and business and professional community in Flagstaff.
 - **Coconino County Community College (CCC)** - Local employers have identified a need for more employer-based vocational and technical training. These training programs should focus on high growth industries in Flagstaff, such as health care and medical technology, and technical manufacturing and fabrication skills. The Community College could be leveraged to play a larger role in vocational training in support of local business needs.

- **Business Recruitment** – This report is not intended to discourage the City from actively recruiting new companies; it suggests that recruitment should be balanced with other economic and community development priorities. Flagstaff should continue to market its high quality of life to high-wage high-skill firms. Where appropriate, the City can offer incentives such as sales tax abatement and infrastructure assistance or participation. The Innovation Campus business incubator can provide a location for new companies, as well as knowledge and technology transfers between new firms and existing firms in Flagstaff.
- **Bioscience** – The Arizona Bioscience Roadmap prepared by the Battelle Institute (December 2007) stated that Arizona is well positioned to attract new bioscience research and development firms. The TGen North facility which was sited in Flagstaff in 2006 reflects the type of opportunity that can be expanded in Flagstaff. It can be expected that technology and R&D firms like TGen and Gore will continue to generate spin off benefits in the form of business clusters that interact with these firms, and in new firms created as offshoots from these firms and their products. Continue to target bioscience firms and work with NAU and other stakeholder groups to identify and foster emerging opportunities.
- **Business Retention** – As stated above, business expansion and new startups are expected to comprise the majority of new jobs. The Small Business Development Center (SBDC) at CCC provides assistance to small businesses and business start-ups in the form of mentoring, counseling, and business planning. Other remote mountain communities have also found that developing local networks of retired executives and other local entrepreneurs provides opportunities for networking and sharing ideas, and more social interaction among ‘lone eagles’ and location neutral businesses. The City should also continue outreach to businesses to determine if there are issues that it can address to improve the business climate. Several cities conduct an annual survey of businesses to continuously monitor business conditions and concerns in order to address problems before they prompt a business to leave.
- **Flagstaff Airport** – In addition to quality of life, entrepreneurs and location neutral businesses look for communities with good accessibility and scheduled commercial air service to major cities. Currently, Flagstaff only has scheduled service to Phoenix. The City should pursue air service to other major cities and consider subsidies to initiate expanded service to address what is considered to be one of the most significant deterrents to attracting new businesses to Flagstaff: the lack of connectivity to other cities through air travel.
- **Sustainable City** – Since Flagstaff’s biggest competitive strength is its quality of life, the City should continue to prioritize maintaining and improving its natural resources and systems. The City of Flagstaff should continue to commit to high standards for the protection and improvement of the region’s quality of life offered by its natural resources and natural environment.

In doing so, the City should recognize that sustainability is integral to the professional management of local government and long-term stewardship of the community. Therefore, the City and its citizens should integrate the traditional tenets of sustainability (economic, social, and environmental) in all management and operation practices. The City's current and future sustainability initiatives provide opportunities to enhance the community's quality of life and further generate economic development initiatives.

Sustainability in its broadest definition is the overarching theme in planning for the future. Future land use and transportation plans will also need to be viewed as part of the comprehensive and interdependent sustainability goals and practices for the City. Future development should improve the quality of life without harming or depleting the natural system or creating financial burden for future residents. Infill, redevelopment, sustainable design, sustainable building, and alternative mode transportation (e.g., public transit, bicycling and walking) should be placed as high priorities within the community's development planning.

Endorsing the U.S. Mayors Climate Protection Agreement and committing to reducing greenhouse gas emissions shifts the City's focus from business as usual to one that is forward thinking; utilizing less energy and natural resources, assessing life-cycle costs, and leading by example. Through these efforts, the City should experience economic improvement with fiscal savings, job creation, and affordable living. High priority should be placed on reducing greenhouse gas emissions communitywide.

- **Employee Recruitment and Retention** – The City can help businesses address employee recruitment and retention problems through the housing initiatives identified in the Housing Action Plan. Increasing down payment assistance funding, increasing the supply of rental housing, and continuing the efforts of the City's Community Land Trust Program (CLTP) are all effective means to increase housing opportunities, thereby facilitating the movement of labor into Flagstaff. Quality of life investments discussed above under Community Infrastructure will increase Flagstaff's appeal to entrepreneurs and executives.

HOUSING ACTION PLAN

Many residents of greater Flagstaff and business owners view workforce housing as a public policy priority. The Housing Action Plan provides a road map for community leaders to address workforce housing needs. The Plan is divided into five major topic areas shown below.

- **Policy Guidance** – Identifies broad land use and development policy recommendations to increase the supply of workforce housing and promote balanced sustainable growth in greater Flagstaff.
- **Funding** – Identifies three potential major funding sources for a Housing Trust Fund and a number of smaller opportunities to generate funding for affordable housing.
- **Workforce Housing Supply and Demand** – Identifies more specific recommendations for expanding and encouraging the supply of workforce housing.
- **Other Recommendations** – Summarizes other points for consideration for workforce housing and economic development.
- **Legislative Initiatives** – Identifies changes to state legislation that would allow for more local control of land use decisions, fiscal policy, and workforce housing.

Major recommendations are also given a timeframe relative to the priority of the recommendation and ease of implementation. Goals for short-term recommendations should be to implement them within the next 1 to 2 years. Mid-term recommendations should be addressed or implemented within a 3- to 5-year time horizon. Long-term recommendations are either ongoing discussions and analyses, or projects to be implemented in 5 to 10 years.

I. POLICY GUIDANCE

1.1 *Establish a communitywide goal for achieving 20 percent workforce housing in new development.*

The Nexus Study substantiates that up to 24 percent of new development should be affordable to households earning from 30 to 150 percent of AMI. A goal of 20 percent is recommended. Previously undeveloped areas of Flagstaff are coming under increasing pressure by the market for development and annexation, including several major State Land and U.S. Forest Service (USFS) parcels. The 20 percent workforce housing goal could be fulfilled in large projects through developer agreements. There may be opportunities to increase substantially the portion of workforce housing being provided by the private sector through this approach. This approach will also likely need to be coupled with a number of development incentives to encourage expanding workforce housing. The City of Tucson is also taking a similar approach to workforce housing.

Implementation: 1 to 2 years

1.2 *Establish Infill Incentive Districts (IID) to implement the Regional Plan objectives of a compact land use pattern, and to facilitate infill development and redevelopment. IIDs can also provide needed incentives for workforce housing.*

An IID can help the City channel growth to underutilized areas of the City, and to improve and expand the diversity of housing opportunities. An IID would also identify other development incentives available to projects within the IID, such as relief of height, density, setback, and lot size requirements, and offer expedited permitting. An IID will be an important tool for achieving workforce housing in conjunction with new infill and redevelopment projects.

Development fees add to the cost of building workforce housing. Arizona laws dictate that without an infill incentive district, the City cannot waive development fees; it can only agree to pay them for the developer. Incentives such as fee waivers are needed to dilute the cost of workforce housing across the remainder of a development. Impact fees are designed primarily to pay for major infrastructure in newly urbanizing areas (e.g., major arterial roads and water and sewer infrastructure). It is therefore logical to waive fees for beneficial projects within the urbanized area, as the major infrastructure components (e.g., roads, water and sewer) are already present, although they may need some improvements.

Implementation: 1 to 2 years

1.3 *Ensure that land use policies and regulations continue to promote inclusive balanced growth.*

The Regional Land Use and Transportation Plan provides a policy framework for guiding decisions on growth. To minimize the impacts of sprawl and urbanization, the Regional Plan should identify a balance between infill and redevelopment and “smart growth” in the City, including major State Land and Forest Service parcels if they come into play. As the Regional Plan and the City’s Land Development Code are updated, the City should continue to make infill, redevelopment, smart growth principles, and workforce housing a priority. While the Regional Plan provides policy guidance, the Land Development Code should be the legally enforceable means by which the growth policies in the Plan are implemented on a day-to-day basis.

Implementation: 3 to 5 years

1.4 *Use development incentives to collaborate with the private sector to build additional workforce housing.*

The City is already using a number of incentives to help developers contribute to the City’s workforce housing goals. These include density bonuses, infrastructure participation, and fee reimbursements. However, many of these efforts, such as fee reimbursements and infrastructure participation, are limited by funding or state legislation in the case of fee waivers. A dedicated funding source will help to contribute to fee reimbursements and infrastructure contributions. An infill incentive district will allow the City to waive fees for some projects. Examples of incentives are provided below.

Implementation: Ongoing, 1 to 2 years

- **Density Bonuses** – The City offers density bonuses and reductions in tree and slope requirements in exchange for 10 to 20 percent workforce housing in a new project. Few developers have taken full advantage of these incentives, and City staff is in the process of completely redesigning the incentive program. Incentive programs need to be designed according to local market conditions and land use characteristics. The City should closely involve the development community to help evaluate the financial impact of incentive programs. This will help to ground the incentives in market-based financial conditions and create financially viable incentives.
- **Fee Reimbursements** – The City should consider expanding fee reimbursements for workforce housing up to 150 percent of AMI. The City can already reimburse building and development fees on projects serving up to 115 percent of AMI according to a graduated schedule where 100 percent of fees are reimbursed for projects serving up to 80 percent of AMI,

and 25 percent of fees are reimbursed up to 115 percent of AMI. The City should consider expanding this to all workforce housing up to 150 percent of AMI, with 100 percent fee reimbursement. Supplementary funding will be needed to implement this, as discussed in the Funding section of this Housing Action Plan.

- **Fee Waivers** – Waiving development fees for workforce housing is more effective than reimbursing them, as it is simply forgone revenue rather than an out-of-pocket charge for the City. It is also more favorable to developers since it reduces their direct project expenses. However, Arizona legislation currently prohibits local governments from waiving fees unless the project is located in an infill incentive district. As part of other legislative initiatives, the City should work with other peer communities to change this legislation.
- **Fee Deferrals** – Fee deferrals are another way to assist developers as they reduce the upfront equity or financing needed to get a project off the ground.
- **Off-site Improvement Deferrals** – The City could allow developers to address off-site improvements at a later date. This reduces the project's upfront costs and improves cash flow.

1.5 *Continue to improve the building and development review processes.*

The City has already implemented 17 out of 23 of the Housing Policy Task Force's recommended changes to the Land Development Code. The City should continue to involve the development community to help identify ways to make the building and development process more user-friendly and timely, and to reduce costs where they would have a significant impact on the cost to produce housing. The subdivision and development review processes should have predictable timelines so that developers can anticipate the time and resources required to get a project approved. The upcoming Land Development Code revisions will be central to this process. This is part of an ongoing partnerships and outreach with the building and real estate community.

II. FUNDING

The most successful housing programs are paid for through dedicated funding sources: a dedicated funding commitment with a dedicated purpose, rather than a discretionary allocation. Many of Flagstaff's current housing programs rely on CDBG funds, other competitive grant-based funding sources, and discretionary funding from the general fund. A dedicated funding source would provide predictable annual revenues that could be earmarked for workforce housing development or for expanding new housing assistance programs. The magnitude of the current and future workforce housing needs justifies a dedicated revenue source.

2.1 *Establish a dedicated funding source for a Housing Trust Fund based on either real estate transfer assessments, document recording fees, or building permit fees.*

A Housing Trust Fund (HTF) would provide an ongoing annual funding source for housing that could be used to develop a long term investment strategy to address workforce housing needs. The HTF could be spent in any variety of ways, including land acquisition, housing acquisition for permanent affordability, or to fund loan programs for housing rehabilitation and homebuyer assistance. Finding a dedicated funding source will be the most important aspect of the City's workforce housing programs, but it will also be challenging. The Housing Action Plan provides recommendations for three potentially major sources of funding, as well as other smaller opportunities. **Appendix B Tables 1 through 4** provide hypothetical revenue calculations for a HTF.

Implementation: 1 to 2 years

- **Real Estate Transfer Assessments (RETA)** – A RETA is an assessment on the sale of residential property within a specified development. It is executed under a voluntary covenant that a developer agrees to place on property within a new project. A 500-lot subdivision with a 10-year buildout and a 0.5 to 1.0 percent RETA could generate \$1.0 to \$2.0 million in one-time revenues from the initial sales during construction. Once the project is complete and sold out, the assessment is also charged on the resales of these homes. This could generate an additional \$75,000 to \$150,000 per year in perpetuity for this hypothetical 500-lot development. A calculation showing these revenue estimates is provided in **Appendix B Tables 1 and 2**. While it takes time to fully realize the revenues from these instruments, they can eventually generate substantial revenue.
- **Increase Document Recording Fees** – A recording fee on documents recorded in the County Clerk's office could also be a significant source of revenue. This would require cooperation from the County and most likely

some sharing of revenues or agreements on equitable distribution of housing investments. The current minimum recording fee is \$14.00. A document fee increase of \$2.50 (17 percent) and \$5.00 (35 percent) could generate \$140,000 to \$284,000 per year countywide, respectively. A \$10 increase would generate \$567,000 countywide. The supporting calculations are shown in **Appendix B Table 3.**

- **Building Permit Fees** – Dedicating a portion of building permit fees could also be considered. This could be accomplished either through dedicating a portion of the existing fees or by raising building permit fees. Building permit fees are typically calculated on a cost-recovery basis and are not generally considered to be a profit center. However, they have a close nexus to housing and may be an acceptable way of generating money for workforce housing programs. A 10 percent increase and dedication of building permit fees could generate approximately \$250,000 per year based on the current average revenues of approximately \$2.3 million per year as shown in **Appendix B Table 4.**
- **Other Funding Opportunities** – Other suggestions for additional and supplemental funding sources are listed below.
 - **Existing general fund revenues** – The City could consider dedicating a portion of existing general fund revenues (no tax increases), such as sales tax, property tax, or licenses and permits to the HTF. Dedicating existing revenue streams would mean determining other funding needs that can be diminished.
 - **General revenue bonds** – The City's bonding capacity can also be used to develop, acquire, and rehabilitate workforce housing. A 'quality of life' bond issue package could be created that includes workforce housing, transportation, open space/recreation or other investments.
 - **Contributions from developers** – Through development agreements, the City should encourage contributions to the HTF from developers of new projects. This option may be needed if it is determined that a workforce housing dedication is not appropriate on site within a project due to its location or other characteristics (e.g. distance from employment and services, proximity to transit) or if workforce housing is not physically practical on the site.
 - **Condominium conversion fee** – While the condominium conversion market has slowed, in the future a condominium conversion fee could supplement the HTF. Tucson has a \$100 per unit fee but recommends in hindsight that the fee be based on the value of the project.

- **Rental housing tax** – A tax on long-term residential lease revenue has been suggested as a possible funding source. This would allow the City to tax the approximately 3,300 students who live off-campus. However, it would impact local resident renters as well, as landlords would be likely to pass on the cost to tenants.
- **Delinquent tax penalties** – Revenues from delinquent sales and property taxes could also be considered as a revenue source.

III. WORKFORCE HOUSING SUPPLY AND DEMAND

Housing can be described in terms of programs that increase the supply of actual workforce housing units and programs that increase demand. Supply programs generally can include developer incentives, inclusionary zoning programs, land development policy and codes that promote affordability, land acquisition, and housing acquisition. Demand programs are designed to assist buyers and renters in moving into affordable housing options. These include rental assistance programs and homebuyer assistance loan programs.

3.1 *Continue to support the CLTP and other solutions for permanent affordability.*

The CLTP is a new housing program created to lower housing costs by separating the ownership of the land and the home. Land trusts typically own the land on which a home is built, and thus can remove the cost of land from the home price by leasing the land to the homeowner through a 99-year ground lease at below-market rates. The program is open to household earning up to 150 percent of AML.

The CLTP has the potential to be an effective tool for expanding the supply of workforce housing. The CLTP will be engaged in working with builders to develop housing on City land as well as acquiring land and possibly partnering with developers in new developments.

The CLPT has the potential to provide up to 20 percent of the workforce housing demand, or about 50 units per year. This would represent less than 5 percent of the total regional housing demand and would therefore not be in competition with private sector real estate developers. Furthermore, it has been shown in this study that the private market is not serving this segment of potential buyers.

The ground lease fees in the CLTP are not based on market rent, but have been set at \$30.00 per month to achieve a balance between competing programmatic goals. As this study has shown, land costs are a significant percentage of the price of a home. By removing the land cost, the CLTP is able to provide the unit

at an affordable price while preserving the benefit for future families when a resale occurs. The program uses an appraisal-based formula to connect the home and homeowner to the benefits of the market, while maintaining affordability by limiting the amount of equity appreciation that can occur.

Many land trusts, and potentially the CLTP, also use deed restrictions to achieve affordability goals. In specific instances where the land trust model and ground lease are not perfectly suited, the permanent affordability may be maintained through permanent deed restrictions which limit a home's appreciation. Condominiums, that hold land in common trust, are a good example of when deed restrictions may be a more appropriate tool.

Both methods of creating permanent affordability provide a significant benefit to the homeowner in exchange the realization of full market appreciation. In the CLTP the ground lease and the deed restrictions will generally allow for 25 percent of the market appreciation.

While there are some entry-level condominium developments available to moderate income households and first-time buyers, these unit types are not attractive to families who need more space for long-term housing in Flagstaff. These will serve a portion of the need for people living alone and for small households. However, the household survey indicates that single family housing of some type, attached or detached, is in greater need. Small single family detached homes and townhouses have been successful as workforce housing in many mountain communities.

Implementation: Ongoing

3.2 *Conduct a detailed buildout analysis for the City to identify the supply of undeveloped acreage by zoning classification.*

A buildable lands inventory was not completed for this study. However, it is recommended that the City use its geographic information systems (GIS) to evaluate the land supply in more detail. It would be useful for future planning and for developers to better understand the inventory of built and vacant land and platted lots by zoning classification. This would also be useful in directing infill development to appropriate areas. It will be particularly important in quantifying the shortage of developable land for single family and multifamily housing.

3.3 *As funding is available, pursue land acquisition to support the CLTP and to provide additional opportunities for public/private partnerships.*

The City has budgeted \$1.8 million in FY06-07 for land acquisition in a rollover fund that can be spent as projects or opportunities are identified. Much of this money has come from the sale of City property for workforce housing, although it has historically received \$100,000 annually from the General Fund. The money can also be used for housing development. General fund contributions are discretionary each year; they are not a guaranteed funding source. A dedicated funding source will help to reinforce this program.

The private sector can be part of this strategy as well by partnering with the City to develop City-owned parcels. The City should actively market these sites to potential development partners, and publish a list of City-owned sites available for development. This will make clear the City's goal of partnering with builders and developers to produce additional workforce housing.

Implementation: Ongoing

3.4 *Promote development of additional subsidized and free market rental housing.*

The Nexus Study has shown a need for both free market and subsidized rental housing. Rising housing prices, tighter lending standards, and condominium conversions have resulted in very low rental vacancies and a shortage of rental housing. Rental housing provides an important role for residents who either cannot afford to buy a home or who prefer to rent. It is also needed by new employees moving to Flagstaff who need housing on short notice, or a short term housing option prior to buying a home. A number of measures are needed to increase the supply of rental housing and to create a favorable development climate for multifamily housing:

- Inventory the supply of undeveloped multifamily sites. If there is a shortage of land for multifamily development, consider rezoning additional areas of the City to allow multifamily housing.

Implementation: 1 to 2 years

- Identify infill sites appropriate for multifamily development and offer incentives such as fee waivers, fee deferrals, zoning changes, and infrastructure participation to spur development of these sites.

Implementation: Ongoing

- Allow density increases to help offset the rising cost of land.

Implementation: Ongoing

3.5 *Pursue more Low Income Housing Tax Credit (LIHTC) multifamily rental development.*

This is an IRS tax credit program administered locally by the State Division of Housing. It is a financing tool that allows private, municipal, and non-profit housing developers to obtain low-cost financing for affordable rental projects. It has provided financing for 580 units of rental housing in Flagstaff since 1994 including the recent Pinehurst Apartments and Timber Trails developments. The LIHTC program will continue to be the most viable program for subsidized rental housing from 30 to 60 percent of AMI, as it is highly flexible and can be utilized by both private for-profit and non-profit developers. The City can participate by implementing the recommendations listed under 3.4.

Implementation: Ongoing

3.6 *Continue to engage in public private partnerships for the development of workforce housing on City property and the CLTP sites as they are acquired.*

There will continue to be ways for the City to foster creative partnerships with builders and developers to produce new employee and workforce housing. The City can bring land and infrastructure participation, and development incentives to projects and can use this leverage to achieve public policy objectives. The public program recommendations outlined above will address only a small portion of the need, which reinforces the necessity of inviting additional private sector participation.

3.7 *Expand existing homebuyer assistance programs and match the income criteria to the CLTP income criteria.*

A dedicated funding source will help the City to expand existing homebuyer assistance programs. The Community Homebuyer Assistance Program (CHAP) and the Flagstaff Homebuyer Assistance Program (FHAP) are existing down payment assistance programs that could be expanded. CHAP is available to households earning up to 125 percent of AMI, and FHAP is available to households up to 80 percent of AMI. However, the CLTP is open to households up to 150 percent of AMI. The City should consider either developing new loan programs to match the income criteria of the CLTP or expanding CHAP to 150 percent of AMI. It is likely that many CLTP buyers will be former renters who have not been able to achieve enough savings for a significant down payment.

Implementation: 1-2 years

IV. OTHER RECOMMENDATIONS

- **Accessory Residential Units** – Continue to support Accessory Residential Units (granny flats). These units can provide an income source for homeowners and contribute to the supply of rental housing. They also provide an opportunity for elderly residents to live close to family members and age in place.

Implementation: Ongoing

- **Renter Down Payment Programs** – Renter down payment savings programs are sometimes used by developers and builders who are involved in both the rental and for-sale markets. These programs give renters the option to place a portion of their rent into a savings account towards a down payment for a home built by the same developer or builder. Encourage the development community to implement this type of program.

Implementation: 3 to 5 years

- **Purchase and Rehabilitate Aging Rental Properties** – Look for opportunities to purchase and rehabilitate aging rental properties as new workforce housing. Preserving the existing housing stock is an efficient use of land and resources. The LIHTC program can be used to help finance acquisition and rehabilitation projects.

Implementation: 3 to 5 years

- **Coconino County** – Work with the County to identify additional County-owned sites for workforce housing in locations that are close to employment centers, services, and transportation links. Continue to explore Coconino County's interest in participating in workforce housing development.

Implementation: Ongoing

- **Property Maintenance Ordinance** – Create and implement the property maintenance ordinance under consideration to maintain the quality and livability of the existing workforce housing stock.

Implementation: 1 to 2 years

- **Rental Rehabilitation** – Consider funding a rental rehabilitation program (low/no interest loan program) to assist landlords in renovating and upgrading substandard rental housing.

Implementation: 3 to 5 years

- **Employer Assisted Housing Programs** – Encourage and work with community partners and employers to establish employer assisted housing programs. Employers may find that this is a needed recruitment and retention tool as housing costs continue to rise.

Implementation: Ongoing

- **63-20 Non-Profit Corporations** – Large employers, especially in mountain settings, have formed 63-20 corporations to finance rental workforce housing. A 63-20 corporation is a private non-profit non-stock corporation formed for public benefit. The sole purpose of a 63-20 corporation is to issue and retire tax-exempt bonds. In a workforce housing setting, the projected rental income from the project would fund the bonds.
- **Promote green building techniques to reduce energy consumption and maintain long term affordability** – Builders active in green building have indicated that a fairly small cost of \$3,000 to \$4,000 on a newly constructed home can yield a 60 percent reduction in energy costs, or \$600 to \$700 per year in savings as shown in **Appendix C Table 1**. Typically, the utility savings can actually reduce the homeowner's monthly mortgage and utility payments so that the increased cost of greener building is cancelled out on a month-to-month basis. Green building techniques can also take advantage of recycled and environmentally friendly materials for a minimal cost increase.

Some successful green building programs offer builders a flexible menu of up to 50 green building criteria that are in addition to the standard building code. The builders must implement 20 to 30 of those items in order to meet the green building standard.

- **Owner-Occupied Housing Rehabilitation Program** – This is an existing program administered by the City. To qualify, a home must be owner-occupied, have health and safety hazards, and be occupied by a homeowner who earns less than 80% AMI. However, this program is not available to homes without a stem wall, or owner-occupied mobile homes where the land is rented. Assistance consists of a zero interest deferred loan which comes due if the property is sold, refinanced for cash out, or if the property is no longer owner-occupied. Emergency repair grants of \$10,000, and home repair loans of up to \$40,000 are available. This program is funded with competitive funds and dedicated funding could supplement these sources to provide a more predictable and potentially larger annual revenue source.

There is an ongoing need for housing rehabilitation assistance to help preserve the existing stock. There is also a pressing need for rehabilitation assistance for rental housing. The rehab program should therefore be expanded to address rental housing, or a companion program should be developed.

- **Flagstaff Housing Authority** – The Flagstaff Housing Authority is a Public Housing Authority funded by HUD and operated under the City’s guidance. The Housing Authority administers 314 Section 8 rental assistance vouchers and 181 rental units for households earning less than 30 percent AMI. There are an additional six Section 8 vouchers allocated to households earning 30 to 50 percent of AMI, 74 rental units for 30 to 60 percent of AMI households, and 10 rental units for 60 to 80 percent AMI households. The waiting time for an available Section 8 voucher is approximately three years, and the rental properties are fully occupied. There are no current HUD programs to expand family rental housing or Section 8 vouchers.

This housing stock provides a valuable resource, particularly for very low income residents. However, the Housing Authority sites are underdeveloped considering the constrained land supply in Flagstaff. In the future, there may be an opportunity to utilize funding from HUD’s HOPE VI program to redevelop these sites into vibrant mixed-income communities built to more modern building and design standards. A new administration at the Federal level may increase this program’s funding in the future.

- **Commercial Linkage Fees** – Linkage fees are impact fees placed on commercial development that link the employees and wage levels generated by development to the housing needed to mitigate its impact. Other communities have used these programs in conjunction with a fee-in-lieu option to develop and fund additional workforce housing. Linkage fees are most often applied to retail, accommodations, and recreation/resort developments rather than primary employment land uses such as office and light industrial. This is a tool that could be considered in the future if the impacts of large commercial, accommodations, and resort developments become a concern.
- **Organizational Capacity Building** – Flagstaff has a number of existing non-profit housing and service providers. The City could continue to look for opportunities to partner with these organizations to provide additional resources for workforce housing. Some existing organizations include the Northern Arizona Council of Governments (NACOG), the United Way, Habitat for Humanity Flagstaff, and BOTHANDS. These groups are recognized as assets to the community.
- **Marketing Materials** – Existing and new workforce housing programs will be more effective if more people know about them. The City should therefore invest some of its housing resources in effective marketing materials and additional publicity through public communications and media.

V. LEGISLATIVE INITIATIVES

A number of legislative reforms at the State and Federal levels will give Flagstaff and other Arizona communities more flexibility to address land use, workforce housing, and fiscal policy issues. In the near term, Flagstaff should start exploring these issues with other peer communities.

- **Inclusionary Zoning** – Inclusionary zoning is widely used in mountain communities, rural and urban areas outside Arizona. When coupled with density bonuses (to offset the cost of below market housing) and a fee-in-lieu program, inclusionary zoning is an effective tool for building and funding workforce housing. According to the Arizona office of the Local Initiatives Support Corporation, a growing number of Arizona communities are interested in pursuing more formal inclusionary zoning programs, most notably Sedona, Tempe, and Tucson.
- **Development Fee Waivers** – The City will need the ability to waive impact and development fees for affordable housing outside of infill incentive zones, given the likelihood of major development proposals outside the existing urbanized area. However, this requires a modification of the State's equal taxation statutes.
- **Development of State Lands** – The Governor's Incentives for Affordable Housing Task Force recommended that State Land sales should facilitate growth rather than speculate on growth, and that the input of local governments should be a priority in the planning and sale of State Lands. Flagstaff and its peer communities should encourage reforms to laws and policies governing the disposition and development of State Lands.
- **Fiscal Policy** – The revenue and expenditure limits imposed by the State affect local governments' abilities to fund infrastructure and community facility improvements and expansions. This in turn can hinder economic development efforts because quality facilities drive quality of life, which is essential to successful economic development.
- **Tax Increment Financing (TIF)** – Arizona is the only state in the U.S. without laws which enable TIF. TIF is a financing tool used by urban renewal authorities or other quasi-public development authorities whereby the incremental new tax revenues created by redevelopment activity is used to support revenue bond issues for eligible public expenditures invested to encourage redevelopment or implement a redevelopment plan. TIF is commonly used to facilitate public-private development partnerships.
- **Employer Housing Assistance Tax Credits** – There is Federal legislation under consideration that would grant tax credits to employers who provide housing assistance to their employees (S.B 1330 and H.B. 3194). Flagstaff and peer communities should lobby their representatives to support this legislation. A State tax credit program should also be explored.

APPENDIX A:
ADDITIONAL HOME SALES DATA

Figure A-1
Coconino County Assessor Tax Areas
Housing and Community Sustainability Nexus Study

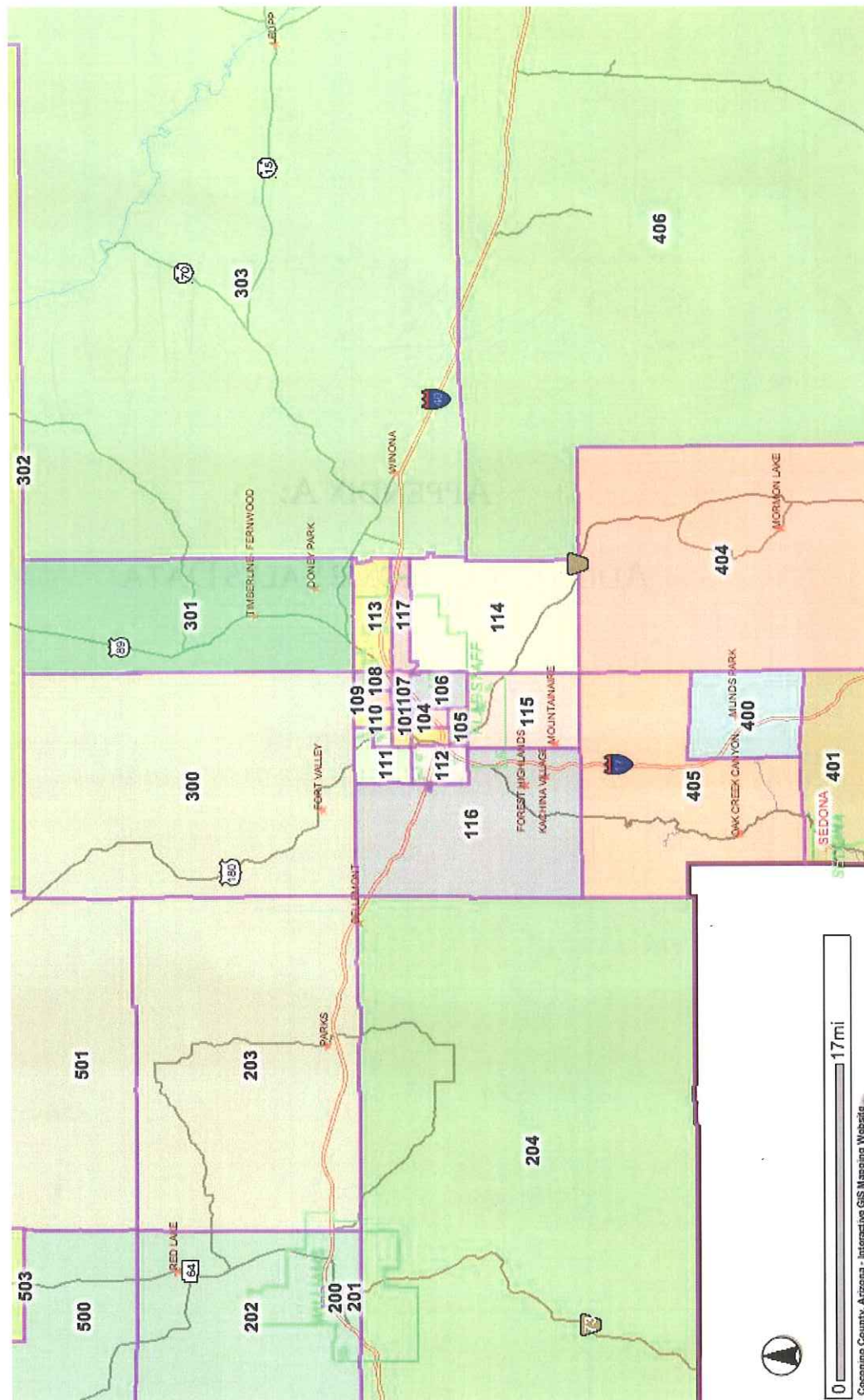


Table A-1
Median Single Family Home Prices by Tax Area (Regional)
Housing and Community Sustainability Nexus Study

Sale Year	Tax Areas				
	100 through 117	100 through 113, 117		100 through 117, 300 and 301	
	Median \$ (Reflected in Report)	Median \$ (Smaller than City Limits)	% Difference	Median \$ (Approx. FMPO Area)	% Difference
1993	\$119,500	\$119,000	-0.4%	\$118,700	-0.7%
1994	\$129,000	\$129,500	0.4%	\$126,800	-1.7%
1995	\$142,500	\$142,225	-0.2%	\$137,200	-3.7%
1996	\$150,500	\$149,500	-0.7%	\$147,000	-2.3%
1997	\$150,000	\$148,000	-1.3%	\$147,900	-1.4%
1998	\$156,153	\$155,400	-0.5%	\$155,900	-0.2%
1999	\$160,000	\$160,000	0.0%	\$158,000	-1.3%
2000	\$171,950	\$170,000	-1.1%	\$170,000	-1.1%
2001	\$184,750	\$182,250	-1.4%	\$180,000	-2.6%
2002	\$200,500	\$202,500	1.0%	\$195,500	-2.5%
2003	\$225,000	\$225,000	0.0%	\$220,000	-2.2%
2004	\$255,500	\$260,000	1.8%	\$250,000	-2.2%
2005	\$345,000	\$348,000	0.9%	\$340,000	-1.4%
2006	\$392,800	\$397,000	1.1%	\$390,000	-0.7%
2007 YTD ¹	\$369,000	\$370,000	0.3%	\$370,000	0.3%
Annual % Change					
1993-2000	5.3%	5.2%		5.3%	
2000-2006	14.8%	15.2%		14.8%	

¹ Through August.

Source: State of Arizona CIS Dept., Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Media\16891-sales_appendix.xls\FDLargeAreas

Table A-2
Median Single Family Home Prices by Tax Area (Subareas)
Housing and Community Sustainability Nexus Study

Sale Year	Tax Areas	
	114, 115, 116 Median \$ (Includes uninc. Area to South of City)	300 and 301 Median \$ (Uninc. Area to North of City)
1993	\$159,500	\$109,900
1994	\$203,000	\$120,250
1995	\$199,000	\$129,000
1996	\$255,400	\$137,000
1997	\$305,000	\$139,900
1998	\$278,450	\$152,000
1999	\$290,000	\$145,000
2000	\$305,000	\$159,900
2001	\$337,250	\$170,750
2002	\$399,831	\$185,500
2003	\$372,500	\$203,250
2004	\$245,000	\$245,700
2005	\$416,700	\$339,000
2006	\$399,000	\$392,500
2007 YTD ¹	\$490,000	\$380,250
Annual % Change		
1993-2000	9.7%	5.5%
2000-2006	4.6%	16.1%

¹ Through August.

Source: State of Arizona CIS Dept., Economic & Planning Systems
H:\16531-Flagstaff Housing Nexus Study\Models\16531-sales_appendix.xls\FDSubarea

Table A-3
Median Attached Housing Prices by Tax Area (Regional)
Housing and Community Sustainability Nexus Study

Sale Year	Tax Areas			
	100 through 117	100 through 113, 117	100 through 117, 300 and 301	
	Median \$ (Reflected in Report)	Median \$ % Difference (Smaller than City Limits)	Median \$ % Difference (Approx. FMPO Area)	
1993	\$90,900	\$89,400 -1.7%	\$90,900 0.0%	
1994	\$84,625	\$84,875 0.3%	\$84,875 0.3%	
1995	\$89,300	\$87,700 -1.8%	\$88,600 -0.8%	
1996	\$98,000	\$96,500 -1.5%	\$97,250 -0.8%	
1997	\$106,000	\$105,950 0.0%	\$105,700 -0.3%	
1998	\$103,000	\$101,000 -1.9%	\$101,000 -1.9%	
1999	\$107,500	\$105,000 -2.3%	\$106,000 -1.4%	
2000	\$107,500	\$106,500 -0.9%	\$107,250 -0.2%	
2001	\$109,500	\$107,075 -2.2%	\$108,050 -1.3%	
2002	\$121,450	\$121,400 0.0%	\$121,450 0.0%	
2003	\$133,350	\$131,500 -1.4%	\$133,000 -0.3%	
2004	\$155,000	\$165,000 6.5%	\$159,500 2.9%	
2005	\$173,000	\$215,000 24.3%	\$182,250 5.3%	
2006	\$219,500	\$228,000 3.9%	\$224,000 2.1%	
2007 YTD ¹	\$245,000	\$245,000 0.0%	\$245,000 0.0%	
Annual % Change				
1993-2000	2.4%	2.5%	2.4%	
2000-2006	12.6%	13.5%	13.1%	

¹ Through August.

Source: State of Arizona CIS Dept., Economic & Planning Systems
H:\16891-Flagstaff-Housing Nexus Study\Models\16891-sales_appendix.xls\AllLargeAreas

Table A-4
Median Attached Housing Prices by Tax Area (Subareas)
Housing and Community Sustainability Nexus Study

Sale Year	Tax Areas			
	114 through 116		300 and 301	
	Median \$ (Includes uninc. Area to South)	Average \$	Median \$ (Uninc. Area to North)	Average \$
1993	\$163,000	\$163,000		
1994	\$179,000	\$175,500		
1995	\$173,000	\$173,000		
1996	\$200,000	\$196,384		
1997	---	---		
1998	---	---		
1999	\$225,979	\$225,979		
2000	\$223,500	\$223,500		
2001	\$246,500	\$246,500		
2002	\$230,000	\$230,000		
2003	\$245,000	\$245,000		
2004	\$290,500	\$288,500		
2005	\$384,425	\$351,713		
2006	\$413,000	\$339,750		
2007 YTD ¹	\$450,000	\$450,000		

No recorded
sales of
attached
housing
in these
areas

¹ Through August.

Source: State of Arizona CIS Dept., Economic & Planning Systems
H:\6897-Flagstaff Housing Nexus Study\Models\1997-sales_appendix.xls\Subarea

Table A-5
Recorded Single Family Home Sales by Tax Area (Regional)
Housing and Community Sustainability Nexus Study

Sale Year	Tax Areas		
	100 through 117 (Reflected in Report)	100 through 113, 117 Total Sales (Smaller than City Limits)	100 through 117, 300 and 301 Total Sales (Approx. FMPO Area)
1993	161	156	202
1994	670	644	841
1995	572	543	754
1996	631	594	792
1997	572	548	714
1998	670	630	819
1999	688	657	856
2000	701	651	844
2001	840	795	1,032
2002	815	782	1,040
2003	896	850	1,126
2004	1,247	1,017	1,510
2005	1,241	991	1,494
2006	890	720	1,061
2007 YTD ¹	494	406	572

¹ Through August

Source: State of Arizona CIS Dept., Economic & Planning Systems
H:\16891-Fragataff Housing Nexus Study\Models\16891-sales_appendix.xls\SFOLJA#

Table A-6
Recorded Single Family Home Sales by Tax Area (Subarea)
Housing and Community Sustainability Nexus Study

Sale Year	Tax Areas	
	114, 115, 116 Total Sales (Includes uninc. Area to South of City)	300 and 301 Total Sales (Uninc. Area to North of City)
1993	5	41
1994	26	171
1995	29	182
1996	37	161
1997	24	142
1998	40	149
1999	31	168
2000	50	143
2001	45	192
2002	33	225
2003	46	230
2004	230	263
2005	250	253
2006	170	171
2007 YTD ¹	88	78

¹ Through August.

Source: State of Arizona CIS Dept., Economic & Planning Systems
H:\16891-Fragstaff Housing Nexus Study\Models\16891-sales_appendix.xls\FDSU#

Table A-7
Recorded Attached Home Sales by Tax Area (Regional)
Housing and Community Sustainability Nexus Study

Sale Year	Tax Areas		
	100 through 117 Total Sales (Reflected in Report)	100 through 113, 117 Total Sales (Smaller than City Limits)	100 through 117, 300 and 301 Total Sales (Approx. FMPO Area)
1993	40	38	40
1994	154	150	154
1995	102	100	102
1996	118	115	118
1997	94	94	94
1998	106	106	106
1999	121	119	121
2000	107	105	107
2001	113	111	113
2002	102	101	102
2003	119	118	119
2004	149	146	149
2005	147	143	147
2006	92	88	92
2007 YTD ¹	41	40	41

¹ Through August.

Source: State of Arizona CIS Dept., Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-sales_appendix.xls\ATL_A#

APPENDIX B:

HOUSING TRUST FUND REVENUE CALCULATIONS

Table B-1
One Time Revenues from a Hypothetical RETA
Housing and Community Sustainability Nexus Study

Description	Year 1	2	3	4	5	6	7	8	9	10	Total
Dwelling Units	35	50	70	100	75	40	35	35	30	30	500
Initial Sales (\$000s)	\$15,750	\$22,500	\$31,500	\$45,000	\$33,750	\$18,000	\$15,750	\$15,750	\$13,500	\$13,500	\$225,000
RETA 0.5% Option	\$78,750	\$112,500	\$157,500	\$225,000	\$168,750	\$90,000	\$78,750	\$78,750	\$67,500	\$67,500	\$1,125,000
RETA 1.0% Option	\$157,500	\$225,000	\$315,000	\$450,000	\$337,500	\$180,000	\$157,500	\$157,500	\$135,000	\$135,000	\$2,250,000

Source: Economic & Planning Systems
H:\6881-Flagstaff Housing Nexus Study\Model\16881-RETA.xls\RETA1

Table B-2
Ongoing Revenues (After Buildout) from a Hypothetical RETA
Housing and Community Sustainability Nexus Study

Description	Value
Dwelling Units at Buildout	500
Annual Turnover Sales (Estimated)	7%
Annual Sales	35
Average Price	\$450,000
Annual Sales Volume	\$15,750,000
Annual Revenue From:	
RETA 0.5% Option	\$78,750
RETA 1.0% Option	\$157,500

Source: Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-RETA.xls\Retas2

Table B-3
Document Fee Estimate
Housing and Community Sustainability Nexus Study

Description	Value
Recorded Documents, 2006	56,700
Potential Document Fees	
Fee	\$2.50
Annual Revenue	\$141,750
Fee	\$5.00
Annual Revenue	\$283,500
Fee	\$10.00
Annual Revenue	\$567,000

Source: Economic & Planning Systems
H:\16891-Flagstaff Housing Nexus Study\Models\16891-RETA.xls\Doc Fee

Table B-4
Estimated Revenue from Building Permit Fee Dedication
Housing and Community Sustainability Nexus Study

Description	Value
Annual Building Permit Revenue	\$2,300,000
Increase	<u>10%</u>
New Annual Revenue	\$2,530,000
Housing Trust Fund Dedication	10%
Annual Housing Trust Fund Revenue	\$253,000

Source: Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-RETA.xls\Permits

APPENDIX C:
GREEN BUILDING

Table C-1
Cost of Green Building Techniques
Housing and Community Sustainability Nexus Study

Description		Annual Utility Savings	Cost Premium
1	Advanced Insulation System	\$100	\$575
2	92.1% Efficiency Direct Vent Furnace	\$150	\$1,200
3	Advanced Air Sealing	\$81	\$150
5	Engineered Duct System	\$60	\$600
6	Window with Low Emissivity	\$55	\$210
7	Downsize Furnace	\$43	-\$750
8	Advanced Framing	\$36	-\$750
9	Tankless Water Heater	\$125	\$400
11	3rd Party Verification	---	\$660
12	Mechanical Ventilation	-\$10	\$300
13	Low VOC Paint and Finishes	---	\$330
15	High Performance Bath Fans	---	\$225
16	Sealed Combustion Fireplaces	---	\$200
17	Recycled PET Carpet	---	\$175
18	Exterior Drainage Plane	---	\$170
19	Engineered Lumber Products	---	---
21	Recycled Content Decking	---	\$10
22	Finger Joint Studs	---	\$0
23	Cementitious Siding Material	---	\$0
24	Blown Cellulose Insulation	---	\$0
Total		\$640	\$3,705

Source: Economic & Planning Systems

H:\16891-Flagstaff Housing Nexus Study\Models\16891-GreenFeb108.xls\Costs

APPENDIX D:

PEER COMMUNITY HOUSING PROGRAMS

La Plata County, Colorado

The City of Durango, the Town of Ignacio, and La Plata County fund administration and operations for the La Plata County Regional Housing Authority (RHA) through general fund dollars. The RHA is in the early stages of organization and implementation, and will most likely administer housing programs for these jurisdictions as a centralized multi-jurisdictional housing agency. The RHA and jurisdictions are examining funding for dedicated revenues for a potential housing trust fund, such as a quality of life mill levy that would fund housing, open space, and transportation.

Currently, housing programs are funded through money from developer agreements as opportunities arise (not a dedicated funding source). The RHA is close to implementing a real estate transfer assessment on a new development project, which would go into a housing trust fund. Their goal is to achieve a \$10 million fund in the next four years; they currently have \$500,000. They have also received a \$250,000 grant from the State of Colorado to fund down payment assistance programs. The RHA is also trying to expand down payment assistance programs through the HTF.

The RHA is designing programs and regulatory measures for these jurisdictions, including an inclusionary zoning (IZ) ordinance for the City of Durango. The IZ ordinance would require a 16 percent set aside. The City of Durango is currently considering the IZ ordinance.

Bend, Oregon

The City of Bend, Oregon, began implementing affordable housing policies using CDBG funds in 2004. Local funding for affordable housing goals and objectives come from a variety of resources.

A low-income rental housing tax exemption, which the City adopted from provisions of the Oregon Revised Statutes, allows exemptions from property taxes for qualifying low-income rental housing projects. This is a significant subsidy in Oregon, where property taxes are much higher than in Arizona. Under this program, property taxes are exempted for 20 years for rental housing projects that are affordable to residents earning 60 percent or less of AMI. Further, if other taxing districts agree to allow tax exemption under the statute, projects may receive tax exemptions on their entire annual tax bill for the 20-year exemption period.

Another local resource to offsetting the cost of housing is the deferral of System Development Charges (utility impact fees and tap fees). The City of Bend adopted a program allowing one-year, interest-free System Development Charge deferrals for qualifying housing projects that are affordable to low- and moderate-income residents.

The City of Bend has also initiated a Developer Incentive Program, through which incentives currently offered include expedited processing (between 2 and 6 weeks planning review depending on the project type), no interest System Development Charge deferrals, and planning and building fee exemptions for affordable housing projects, as well as grant assistance with non-reimbursable off-site improvements up to \$10,000 and density bonuses. Qualifying projects are those that receive federal or state affordable housing funding and/or those having affordable housing projects serving households earning 100 percent AMI or below. The City will explore additional incentives that could be offered to developers in the future, including incentives that address financial barriers, land use issues, and other obstacles to building affordable housing.

The City is also considering implementing a land trust in order to reduce land costs, which would assist in affordable housing projects as well as economic development.

Missoula, Montana

The City of Missoula, Montana became an Entitlement Community for the CDBG program in 1998 as well as a participating jurisdiction for the Home Investment Partnerships (HOME) program.. Missoula relies almost exclusively on HUD funding from these programs for the acquisition, rehabilitation, and development of affordable units. The City also funds a limited down payment assistance program with these funds. The City adopted a density bonus of up to 50 percent for affordable housing, but the City Council repealed it due to opposition to increasing density in established neighborhoods. The Mayor's Office is now in the process of developing local initiatives for affordable housing. The City added a 0.5 FTE to the budget to fund a housing coordinator. The Mayor has also appointed an affordable housing working group.



Economic &
Planning Systems

Public Finance

Real Estate Economics

Regional Economics

Land Use Policy

APPENDIX E:

HOUSEHOLD SURVEY

Flagstaff Housing Needs Survey



To better understand the housing needs of Flagstaff residents, employees, and employers, the City of Flagstaff is conducting a study and survey of housing needs and housing conditions. The City is interested in learning about residents' housing needs, the ability of local workers to find housing, and ways to improve or increase housing opportunities for local residents and employees.

Please take a few minutes to complete this **confidential** survey and return it in the postage-paid envelope within 10 days of receipt. RRC Associates is administering the survey. If you have any questions on completing the survey please contact Sarah Brown with RRC at (303) 449-6558 ext.120. Other questions regarding the study may be addressed to Erika Mazza in the City of Flagstaff Community Development Department at (928) 779-7632 x7231. **Si necesita ayuda en Español porfavor llamar a Leonor Gonzalez al 928-213-5072 o cel 928-607-3426. Gracias.**

Responses will remain anonymous and confidential and will be combined with other surveys for statistical analysis. Your help on this important issue is greatly appreciated.

1. Where do you live?
 - ☐ Within the City limits
 - ☐ Outside the City limits
2. How long have you lived in the Flagstaff area?
 1. ☐ Less than one year
 2. ☐ 1 to 3 years
 3. ☐ 4 to 6 years
 4. ☐ 7 to 9 years
 5. ☐ 10 to 19 years
 6. ☐ 20 years or more
3. Why did you move to the Flagstaff area? (Check all that apply)
 1. ☐ I was born here (Go to Q. 4)
 2. ☐ Quality of life
 3. ☐ Sense of community
 4. ☐ Employment
 5. ☐ Schools
 6. ☐ Cost of living
 7. ☐ Moved here to retire
 8. ☐ Outdoor recreation/lifestyle opportunities
 9. ☐ College
4. What best describes you?
 - ☐ Year-round local resident
 - ☐ Second-home owner or part-time resident
 - ☐ Student (9 mo. to 12 mo. resident)
5. If you are a second-home owner or part-time resident in Flagstaff, how many nights did you spend in Flagstaff last year? _____ nights
6. Is your residence:
 - ☐ Owned by you or a family member
 - ☐ Rented from a landlord
 - ☐ Other _____
7. Is this your:
 - ☐ Primary residence
 - ☐ Second home/seasonal residence
 - ☐ College residence
8. Which best describes your home?
 1. ☐ Apartment
 2. ☐ Mobile home
 3. ☐ Manufactured home
 4. ☐ Single-family home
 5. ☐ Townhouse/duplex
 6. ☐ Condominium
 7. ☐ Other _____
9. What is your total monthly RENT or MORTGAGE PAYMENT?
 - ☐ \$_____/month
 - ☐ Do not pay rent or mortgage
 - ☐ Mortgage paid off
10. Which of the following best describes your household?
 1. ☐ Adult living alone
 2. ☐ Single parent with children
 3. ☐ Couple, no children
 4. ☐ Couple with children
 5. ☐ Unrelated roommates
 6. ☐ Family members and unrelated roommates
 7. ☐ Immediate family plus extended family members
11. Total people in household (including yourself)
(Circle one.)

1	2	3	4	5	6	7+
---	---	---	---	---	---	----
12. Circle the number of people of the following ages living in your home. Include yourself.

Under 5	0	1	2	3	4	5	6+
5 - 12	0	1	2	3	4	5	6+
13 - 18	0	1	2	3	4	5	6+
19 - 24	0	1	2	3	4	5	6+
25 - 54	0	1	2	3	4	5	6+
55 - 64	0	1	2	3	4	5	6+
65 - 74	0	1	2	3	4	5	6+
75+	0	1	2	3	4	5	6+
13. _____ How many times have you moved in the last five years, including moves within Flagstaff?
14. If you moved, why? (Check all that apply)
 1. ☐ Rent was raised
 2. ☐ Changed jobs
 3. ☐ Found a better home
 4. ☐ Household or family size changed
 5. ☐ Purchased a home
 6. ☐ Needed lower cost housing
 7. ☐ Evicted
 8. ☐ Retirement or downsizing home
 9. ☐ Other _____

15. Of the choices listed below, please rank your preference for the housing type you would look for in your next move.

	Low preference			High preference	
Apartment	1	2	3	4	5
Townhome	1	2	3	4	5
Manufactured home set on foundation	1	2	3	4	5
Single-family home	1	2	3	4	5
Mobile home	1	2	3	4	5
Senior or assisted-living housing	1	2	3	4	5

16. Given the size of your household now, what number of the following do you need?

Garage Spaces	0	1	2	3	4	5+
Bedrooms	1	2	3	4	5+	
Bathrooms	1	2	3	4	5+	

17. Are you interested in buying a home in the next 3 years?

- ☐ Yes
☐ No (Go to Q. 24)

18. If you have wanted to buy a home but have not done so, why not? (Mark all that apply)

1. ☐ Total cost too high
2. ☐ Lack adequate down payment
3. ☐ Can't qualify for a loan
4. ☐ Have poor credit
5. ☐ Housing that I can afford is not what I want to buy
6. ☐ Cheaper to rent
7. ☐ Intimidating loan process
8. ☐ Other _____
9. ☐ Does not apply to me

19. If you are considering buying a home, what price range could you afford?

1. ☐ < \$150,000
2. ☐ \$150,000 - \$200,000
3. ☐ \$200,001 - \$250,000
4. ☐ \$250,001 - \$300,000
5. ☐ \$300,001 - \$350,000
6. ☐ \$350,001 - \$400,000
7. ☐ \$400,001 - \$450,000
8. ☐ \$450,000 - \$500,000
9. ☐ > \$500,000

20. Would you be interested in buying a home with a limit on the resale price if it gave you an opportunity to own a home you otherwise would not be able to afford?

- ☐ Not at all interested
☐ May be interested if I had more information
☐ Somewhat interested
☐ Interested
☐ Very interested

21. If you are looking for an apartment, how much could you afford in monthly rent for your household (the group of people or family you live with)?

\$ _____ per month not including utilities
OR ☐ Does not apply to me

22. Please describe your employment status:

- ☐ Proprietor/self-employed
☐ Employed by others
☐ Not employed
☐ Homemaker (Go to Q. 26)
☐ Retired

23. In what industry is your primary job? (Choose one.)

01. ☐ Agriculture/mining
02. ☐ Construction and Trades
03. ☐ Manufacturing
04. ☐ Utilities
05. ☐ Transportation/warehousing
06. ☐ Wholesale Trade
07. ☐ Retail
08. ☐ Bar or Restaurant
09. ☐ Hotels, Motels, Lodging
10. ☐ Real Estate, Property Management, Rentals
11. ☐ Educational Services (including public/private schools, training programs, etc.)
12. ☐ Finance, Banking, Insurance
13. ☐ Health Care and Social Assistance (medical, dental, psychiatric, shelters)
14. ☐ Professional, Scientific, and Technical (legal, accounting, architecture, religious)
15. ☐ Arts, Entertainment, Recreation, Tourism
16. ☐ Information (publishing, newspaper, internet)
17. ☐ Other services (daycare, auto repair, beauty salon)
18. ☐ Government (not including schools)
19. ☐ Other _____

24. Do you telecommute to work from home for a job/employer located outside Flagstaff?

- ☐ Yes ☐ No

25. Do you own (or are you a part owner in) a business in Flagstaff?

- ☐ Yes ☐ No

26. How many jobs are held by each employed member of your household?

	Full Time	Part Time
Person 1		
Person 2		
Person 3		
Person 4		
Person 5		
Person 6		
Person 7		
Person 8		

27. What is your primary source of household income? (Mark all that apply)

- ☐ Job
☐ Unemployment
☐ Retirement pension, social security, investments (real estate, stocks, bonds, etc.)
☐ Other: _____

28. What is your gross annual household income (total income for your household before taxes)?

\$ _____

29. Please rank the following issues as they relate to the quality of life in Flagstaff:

	Not a Problem	Slight Problem	A Growing Problem	A Problem	A Critical Problem
Traffic	1	2	3	4	5
Too much growth	1	2	3	4	5
Not enough growth	1	2	3	4	5
Environmental sustainability/Conservation	1	2	3	4	5
Housing for the local workforce	1	2	3	4	5
Job opportunities	1	2	3	4	5
Job opportunities for spouses/partners who moved to Flagstaff with spouse/partner who found a job in Flagstaff (trailing spouse)	1	2	3	4	5

30. After reviewing the following statements, please indicate your opinion on the following issues or questions:

	Strongly Disagree	Somewhat Disagree	Somewhat Agree	Strongly Agree	Don't Know
More housing is needed for low-income families	1	2	3	4	5
There is a need for moderate priced rental housing	1	2	3	4	5
There is a need for affordable housing for entry level workers	1	2	3	4	5
There is a need for ownership housing for professional workers	1	2	3	4	5
There is a need for senior affordable housing	1	2	3	4	5
Essential community workers need housing they can afford (such as teachers, police, nurses, etc.)	1	2	3	4	5
If left alone, market forces will adequately address housing and employment needs	1	2	3	4	5
Local government should help provide solutions for affordable housing shortages	1	2	3	4	5
Higher wage/more employment opportunities are needed more than affordable housing	1	2	3	4	5

31. How would you rank the problem of affordable housing for people who live/work in or near Flagstaff?

- ☐ The most serious problem
☐ One of the more serious problems in the area
☐ A problem among others needing attention
☐ One of our lesser problems
☐ I don't believe it is a problem

32. If additional resources are made available for housing, how should they be allocated?

- ☐ Rental units
☐ Ownership housing
☐ Both
☐ None of the above

Thank you for completing this survey. Your responses will be combined with all other returned surveys. Your information is very important to help us understand how to address housing and other important community issues.



**Economic &
Planning Systems**

Public Finance

Real Estate Economics

Regional Economics

Land Use Policy

APPENDIX F:

SECOND HOME SURVEY

Flagstaff Area Homeowner Survey



The City of Flagstaff is conducting a comprehensive housing study, including the second home and rental property segments of the housing market, which are the focus of this survey. The information will be used to learn more about the role of housing in the Flagstaff area economy. The information you provide will be kept anonymous and combined with other surveys for statistical analysis.

RRC Associates is administering the survey. If you have any questions on completing the survey please contact Sarah Brown with RRC at (303) 449-6558 ext.120. Other questions regarding the study may be addressed to Erika Mazza in the City of Flagstaff Community Development Department at (928) 779-7632 x7231.

1. Which of these categories best describes the type of property you own in the Flagstaff area? *(Check only one)*

- ☐ Single-family detached house
- ☐ Duplex, townhome, or condominium(s)
- ☐ Apartment(s)
- ☐ Vacant land at this time
- ☐ Other—please specify: _____

2. Choose which best describes the ownership of your property:

- ☐ My family owns or I own this residence
- ☐ I am one of several owners, some of which are non-family members

3. Who takes care of your property?

- ☐ Myself/family members
- ☐ Professional property management or rental management company
- ☐ On-site caretaker/employees
- ☐ Homeowners association \$ _____ Annual Dues
- ☐ Other(s)—please specify: _____

4. Please choose what best describes your use of this property:

- ☐ Second home for personal use and/or short term vacation rental use **(Continue to Question 5)**

- ☐ Investment property rented to local residents or students
- ☐ Investment property purchased for my child to live in while attending school

(Skip to Question 13)

- ☐ This is my primary residence

- ☐ Other: _____

(Skip to Question 18)

5. For how many nights did you use your Flagstaff home last year? _____ nights

6. Do you allow others to use your Flagstaff home?

- ☐ No
- ☐ Yes

If yes, how many nights per year are for the following uses:

	# of nights per year
Vacation rental	
Long-term rental/lease	
Used by family/friends/colleagues	
Other: _____	

7. What is the ZIP Code of your primary residence? _____

8. I use my home in Flagstaff most often in the:

- ☐ Fall
- ☐ Winter
- ☐ Spring
- ☐ Summer

OR

- ☐ Regularly throughout the year

9. In what activities do you participate when visiting your home in Flagstaff? (Check all that apply)

- ☐ Golf
- ☐ Motorized recreation (snowmobiling, ATVs, etc.)
- ☐ Hiking
- ☐ Bicycling
- ☐ Fishing and/or hunting
- ☐ Skiing or other winter sports
- ☐ Horses/equestrian
- ☐ Escape the heat
- ☐ Nothing specific, just like being there
- ☐ Arts and entertainment (museums, music, theater etc.)
- ☐ Other _____

10. Which of the following statements most accurately reflect your intended future use of your residence? (Check all that apply)

- ☐ No change
- ☐ Increase my personal use
- ☐ Maintain current personal use
- ☐ Decrease current personal use
- ☐ Increase use by friends and family
- ☐ Sell the property within _____ years
- ☐ Use as a full-time rental unit
- ☐ Use as a vacation/short-term rental unit
- ☐ Become a full-time resident and work in the area
- ☐ Retire to the area and use as retirement residence within _____ years
- ☐ Other _____

11. Please estimate how much you and your household and guests spent last year (2006) while visiting Flagstaff on each of the following types of retail purchases **at businesses in Flagstaff**.

- \$ _____ Eating/dining at restaurants or bars
- \$ _____ Groceries/food for home consumption
- \$ _____ Beer, wine and liquor purchased at stores
- \$ _____ General merchandise (e.g. Wal-Mart, Target, etc.)
- \$ _____ Apparel, outdoor equipment, jewelry and gifts
- \$ _____ Books and music
- \$ _____ Home furnishings and appliances
- \$ _____ Electronics, appliances, computers
- \$ _____ Home improvements, lawn and garden
- \$ _____ Galleries/art
- \$ _____ **Total Retail and Dining Purchases in Flagstaff in 2006**

12. Do you own other recreation homes/properties besides your Flagstaff property?

- ☐ Yes (where? _____)
☐ No

If you chose Investment/Long Term Rental in Question 4:

13. How many units or homes do you manage as rental property? _____ #

14. How often do you visit or view your Flagstaff property(ies)? _____ days per year

14. Who are your primary tenants?

- ☐ Students _____ #
☐ Local residents/employees _____ #
☐ My own child _____ #
☐ A broad mix of people, no specific tenant profile
☐ Elderly (65+)

15. What is your rent or average rent for a home or apartment with: *(Complete all that apply)*

1 Bedroom \$ _____ per month

2 Bedrooms \$ _____ per month

3 Bedrooms \$ _____ per month

4+ Bedrooms \$ _____ per month

16. On average, for how many weeks is your property(ies) vacant each year? _____ weeks

17. What utilities and services are included in the rent? *(Check all that apply)*

- ☐ Heat
☐ Air conditioning
☐ Hot water
☐ Water
☐ Sewer
☐ Garbage
☐ Electricity
☐ Gas
☐ Snow removal

Regardless of how you use your Flagstaff home, please answer the following questions about it.

18. In what year was your Flagstaff area residence built? _____ year

19. In what year did you purchase your Flagstaff area residence? _____ year

20. Including yourself, how many people live in your household? _____

21. How many bedrooms and bathrooms are in your home? _____ Bedrooms _____ Bathrooms

22. What is the livable square footage of your home? _____ Square Feet

23. What do you think you could sell your home for today? \$ _____

24. What is your household status?

- ☐ Single, no children
- ☐ Couple, no children
- ☐ Household with children at home
- ☐ Empty-nester, children no longer at home

25. What range describes your annual household income before taxes?

- ☐ \$0-\$14,999
- ☐ \$15,000 -34,999
- ☐ \$35,000 -49,999
- ☐ \$50,000 -74,999
- ☐ \$75,000 -99,999
- ☐ \$100,000 -149,999
- ☐ \$150,000 -199,999
- ☐ \$200,000 -299,999
- ☐ \$300,000 -499,999
- ☐ \$500,000 -999,999
- ☐ \$1 million or more

26. What is your employment status?

- ☐ Part-time employed by others
- ☐ Full-time employed by others
- ☐ Self-employed
- ☐ Retired
- ☐ Looking for work
- ☐ Other _____

27. What year were you (head of household) born? 19_____

28. Please use this space to share any suggestions or recommendations you have regarding the community.

Thank you for your time and participation.
Please return your survey in the postage-paid envelope provided.



Economic &
Planning Systems

Public Finance
Real Estate Economics
Regional Economics
Land Use Policy

APPENDIX G:

EMPLOYER SURVEY



City of Flagstaff
Department of Community Development
Community Investment Division
Michael J. Kerski, Director
928-779-7610 x7357



Economic & Planning Systems
Housing and Economic Development Consultant
Brian Duffany, Project Manager
David Schwartz, Project Analyst
303-623-3557

The City of Flagstaff has contracted with Economic & Planning Systems (EPS) to conduct a Nexus Study to address labor force, housing, and economic development issues in Flagstaff and Coconino County. The City is concerned with the long term economic sustainability of the community, and how high housing costs are affecting employers and the labor market. We are requesting input from employers so that we may better understand our community's housing needs associated with existing and future employment opportunities and employer issues and concerns. *All information will be kept strictly confidential and the responses will only be reported in aggregate; no individual employer will be identified.* Please take between 5 to 10 minutes to complete this questionnaire. If you have any questions, please contact Brian Duffany or David Schwartz with EPS at the above number. If necessary, EPS will sign any confidentiality agreements you may require and meet in person if needed.

1. Type of business:

- ☐ Agriculture/mining
- ☐ Construction
- ☐ Manufacturing
- ☐ Transportation/warehousing/utilities
- ☐ Wholesale trade
- ☐ Bar/ restaurant
- ☐ Retail trade (grocery, sporting goods, etc.)
- ☐ Hotels, Motels and Lodging
- ☐ Real estate & property management
- ☐ Educational services (including public/private schools, training programs, etc.)
- ☐ Finance/Banking/Insurance
- ☐ Health care/social assistance (medical, dental, ambulatory, psychiatric, shelters, etc)
- ☐ Professional, scientific, and technical services (legal, accounting, architecture, religious, etc.)
- ☐ Arts, entertainment, recreation, tourism
- ☐ Other services (personal, daycare, auto repair, information/publishing, etc.)
- ☐ Government (excluding public schools)
- ☐ Other: _____

2. Number of employees at all Flagstaff locations (include yourself and all other owners):

Type	NUMBER OF EMPLOYEES
Full Time	
Part Time (less than 30 hrs/wk)	
Temporary Workers	

3. How does the number of employees you have today compare to the number of employees you had 5 years ago?

- ☐ More employees today than 5 years ago (approx. # ____)
☐ Fewer employees today than 5 years ago (approx. # ____)
☐ No change
☐ Relocate outside of Flagstaff
☐ N/A - not in business for 5 years

4. If you have changed the number of employees, please choose ONE main reason why there has been a change:

- ☐ Fewer customers. Reduction in sales activity. Less business.
☐ More customers. Increase in sales activity. More business.
☐ Other (Please describe)
-

5. Within one year, do you plan to:

- ☐ Increase your number of employees
☐ Reduce your number of employees
☐ Stay about the same
☐ Don't know/Unsure

6. Within five years, do you plan to:

- ☐ Increase your number of employees
☐ Reduce your number of employees
☐ Stay about the same
☐ Don't know/Unsure

7. Please quantify your level of employee turnover each year:

Number of employee turnover/leaving positions:

2006: # _____ or _____% of total employees

2005: # _____ or _____% of total employees

2004: # _____ or _____% of total employees

8. What is the most significant reason for employee turnover?

- ☐ High housing costs and cost of living
- ☐ Employees move on to other opportunities
- ☐ Longevity not expected in this type of position
- ☐ Don't know/Unsure
- ☐ Other, please describe _____

9. If you will be hiring more employees, how many employees will you hire and what types of jobs?

Type	NUMBER OF EMPLOYEES	TYPE OF JOB (Entry, Mid, Senior)	ESTIMATED HOURLY WAGE
Full Time			
Part Time (less than 30 hrs/wk)			
TOTAL			

10. Do you feel affordable housing for Flagstaff residents and employees is:

- ☐ Not a problem
- ☐ One of our lesser problems
- ☐ A problem among others needing attention
- ☐ One of the more serious problems in the City
- ☐ The most critical problem in the City

11. Please rate the level of priority that should be placed on creating the following types of housing for employees.

	Low Priority		High Priority		
"Entry Level" for-sale housing	1	2	3	4	5
"Move-Up" for-sale housing (current homeowners needing more home for increasing family size, etc)	1	2	3	4	5
Rental Housing	1	2	3	4	5
Other	1	2	3	4	5
If Other, please describe:					

12. What is the starting hourly wage for your employees?

- ☐ ☐ \$5 - 7
- ☐ ☐ \$7 -10
- ☐ ☐ \$10 - 15
- ☐ ☐ \$15 - 20
- ☐ ☐ \$20 - 25
- ☐ ☐ \$25 - 30
- ☐ ☐ \$30 or more

13. How soon after starting is an employee eligible for a raise?

- ☐ ☐ less than 6 months
- ☐ ☐ 6 months - 1 year
- ☐ ☐ 1 - 2 years
- ☐ ☐ 2 years or more

14. What is an employee's typical annual raise?

- ☐ ☐ less than 2.0%
- ☐ ☐ 2.0 - 4.9%
- ☐ ☐ 5.0 - 7.49%
- ☐ ☐ 7.5 - 9.9%
- ☐ ☐ 10.0% or greater

15. As a percentage of annual salary, what is a typical or average bonus?

- ☐ ☐ Not applicable - no bonus
- ☐ ☐ less than 5.0%
- ☐ ☐ 5.0 - 7.49%
- ☐ ☐ 7.50 - 9.9%
- ☐ ☐ 10.0 - 20.0%
- ☐ ☐ 20.0% or more

16. Moving up from an entry level position, what is the typical increase in annual wage?

- ☐ ☐ less than \$5,000
- ☐ ☐ \$5,000 - \$10,000
- ☐ ☐ \$10,000 - \$15,000
- ☐ ☐ \$15,000 or greater
- ☐ ☐ or \$/hour increase: _____

17. What benefits are offered to the employees? What percentage of the individual employee cost does the employer pay? (Mark all that apply)

- ☐ ☐ Medical insurance _____%
- ☐ ☐ Dental insurance _____%
- ☐ ☐ Vision care _____%
- ☐ ☐ Retirement benefits _____%
- ☐ ☐ Profit-sharing _____%

18. How much paid time off do you offer starting employees?

Type	NUMBER OF DAYS
Vacation	
Sick/Personal	
Holiday	
Bereavement	

19. What is the highest level of education required for an entry level position?

- ☐ None
- ☐ High School Diploma or equivalency
- ☐ Bachelors Degree
- ☐ Graduate Degree
- ☐ Post-Graduate Degree, or higher

20. What is the highest level of education required for a senior level position?

- ☐ None
- ☐ High School Diploma or equivalency
- ☐ Bachelors Degree
- ☐ Graduate Degree
- ☐ Post-Graduate Degree, or higher

21. Do you have any additional comments about Flagstaff's labor force, housing or other related issues?



Economic &
Planning Systems

Public Finance

Real Estate Economics

Regional Economics

Land Use Policy

APPENDIX H:

OPEN ENDED SURVEY COMMENTS

OPEN ENDED SURVEY COMMENTS

RESIDENT SURVEY

- All City Council should sit in (traffic) around 5 or 5:30. Too many huge new homes. Water conservation!
- As a 20+ year resident, I feel the key to affordable housing is to grow the CITY's economic base. We need many more decent paying jobs so the average worker can afford housing. Subsidizing housing can only be part of the solution. The CITY needs to actively pursue light to medium industry. We need to grow to survive. We need to stop losing this type of business to Bellemont, Prescott, Albuquerque, etc.
- Basically we had to move to Denver to get better jobs and afford a home.
- Both of our children had to move from Flagstaff because housing was too expensive. Both have college degrees.
- City needs to make it easier to develop land. Therefore reducing the cost of housing. Embrace growth. It will happen!
- City of Flagstaff should address the water level availability before issuing any building permits (residential or commercial).
- Companies like Tesla should be welcomed without barriers if they are low environmental impact company.
- Do something to prevent second homeowners from outnumbering local full time residents!
- Flag is overbuilt with housing!
- Flagstaff is too expensive overall, unless your income is \$25 an hour plus.
- Flagstaff needs jobs/industry that will pay wages that keep up with the housing market. The city should concentrate on improving the business climate, not subsidize housing.
- Government needs to make it easier for developers to build affordable housing and to reduce code restrictions and fees.
- Government should focus on empty second homes.
- How are restaurants getting away with lower than min wage?
- I know many nurses move away because they can't afford to buy a house.
- I will be leaving Flagstaff in the next year because of the high cost of housing and lack of good paying jobs.
- If left alone, market forces may address, but not without environmental problems.
- If you can successfully legislate to eliminate supply and demand you should make us all rich and immortal next.
- I'm moving my family to Oregon because the housing situation in Flagstaff is so bad!
- Let the market control itself.
- More mobile home parks.
- My true opinion is that yes it is expensive and low paying, but if you really can't afford it here then don't live here. Making housing easier for low income families may create more job opportunities with higher possibilities for advantage taking. I believe more job opportunities with higher pay may reduce the need for more low income housing, but it shouldn't all be about the rich retirees.
- Next move anywhere other than Flagstaff. Utilities, rent, homes too expensive. Too many drugs and home wreckers.

- Not a government problem.
- Please halt the growth. There's not enough water.
- Some portion (relatively minuscule) of the total Flag realty market, given unprecedented appreciation as well as a high cost of living in an area of moderate wages, should be comprised of rent-controlled units to preserve basic services provided to the community by anyone falling in this prevalent economic demographic.
- Lack of growth more than doubled the cost of home ownership!
- The problem is lack of higher wage jobs! The city is so nearsighted that it makes it so difficult for good companies to come here and they end up going to Prescott or Prescott Valley!!
- The real problem with affordable housing in Flag is the low wages paid by cheap employers!
- Too much residential growth, not enough commercial growth.
- We need some expressways and a revision with the lighting ordinances foot candles not lumens. Very poor lighting. This superseding space over safety is an absolute no-brainer.
- Wealthy second home owners drive up prices - put a tax on second homes to support affordable housing for first-time buyers.

SECOND HOMEOWNER COMMENTS

- Affordable, quality housing, better paying jobs, high tech industry. Ease the traffic congestion on Milton Rd. Eliminate the left-hand turn past the underpass to go onto West Santa Fe.
- Alternative routes into downtown Flagstaff.
- Any help to expand I-17 to make the drive safer.
- Approve snowmaking at the Snow bowl so we may utilize our home more in the winter and help invigorate the economy of the Flagstaff community.
- Aspen Valley Golf Course lightning warning horns are intrusive, they will not consider alternate methods of warning.
- Assessed values and consequently taxes are rising too rapidly. Rents are market driven whereas taxes seem to be arbitrarily increasing.
- Be nice to owners of second homes - we pay full property taxes and utility assessments and use very little services.
- Be sure any new development is managed to benefit all, increase police staffing, parks and other community amenities, continue developing downtown historic district-it's great.
- Beautiful place, needs more fancy restaurants
- Besides asking the question about spending, you should ask about the amount of property tax being paid by those of us who own second homes in Flagstaff, as well as how much we may give in contributions to churches, American Legion etc.
- Better planning, improved streets, traffic flow and planning, more renovation/restoration of older neighborhoods, no more big box stores, more control.
- Better traffic control in town.

- Build a bike/pedestrian railroad crossing west of Milton, north of 66.
- Build a bypass road to the west of Flagstaff to alleviate downtown traffic.
- Build better transportation system, very cluttered, zoning a mess, too much bottle-necking to cross railroad tracks.
- Build more one story townhouses, increase medical services and add more medical specialists.
- Clubhouse needs complete renovation, increase homeowner association dues to cover renovation costs.
- Community events geared towards children.
- Continue open spaces and urban trails; continue water conservation, friendly tourist environment in balance with conservation.
- Continue to improve traffic congestion. Attract more business and merchants i.e.: Trader Joe's improve Flagstaff Mall, so glad you improved the airport!! Stop light need to be operable at Fairgrounds during events and fair openings! If not relocate entrance away from I-17 exit! Continue to upgrade downtown area like Blouder CO! Fight to help Snowbowl operable to allow snow making capabilities. Since when is the use of untreated water at Sunrise better than treated effluent. So many interest groups control the logic ie: Environmentalists and INDIANS! Stand up as a council and do something for the city and our economy! (sic).
- Continue to keep it clean, safe.
- Continue to limit growth, purchase open space.
- Country club exit on I-40 eastbound is a mess. The new bridge/overpass/interchange needs to be quickly completed. New (proposed for a long time) stoplight needs installation on Campbell Ave. and State Hwy 89 before any more serious accidents occur there.
- Decrease property taxes for part time residents whose properties are non income producing and who do not use Flagstaff schools.
- Develop adult education for community members.
- Develop areas for sledding and ice skating (outdoor).
- Develop the south most corner of Flagstaff intelligently.
- Discourage big box, franchise or other than locally owned stores/businesses, keep the character of homes in Flagstaff by disallowing cookie-cutter developments &reducing/eliminating high density condominiums.
- Discourage big box, franchise or other than locally owned stores/businesses, keep the character of homes in Flagstaff by disallowing cookie-cutter developments &reducing/eliminating high density condominiums.
- Discourage mass development, no clear cutting of trees.
- Do nothing, we love Flagstaff.
- Don't let Flagstaff become another Phoenix.
- Don't use low cost housing as a scapegoat for affordable housing.
- Downtown historic Flagstaff needs more parking spaces.
- Downtown traffic can be very bad/slow.
- Enhance the historic downtown - more shops, entertainment. Alleviate traffic on Milton. Redevelop south downtown area.
- Ensure open space, reduce housing density.
- Equal upkeep for an entire area covered by assessments paid to association. Do not ignore appearance and needs of some areas because owners are not there and cannot

attend association meetings. Respond to problems properly to CORRECT problems. Not put a band aid on it because owner is not there. Owners should have a voice in decorative changes like exterior painting that change entire appearance from original tricolor scheme-enhancing original purchase choice to one color for all with no trim because lowest bid was for that treatment. MULTIPLE units and adjoining units become one monotonous unattractive blob. Original charm of area - GONE! with HORRIBLE workmanship but cheap.

- Expand and improve Flagstaff Mall.
- Expand around the event of the Pine Cone Drop on New Year's Eve, we love the close, friendly, safe flavor of the city.
- Expand historic district and zoning to other side of Santa Fe, keep/maintain character of old, downtown Flagstaff.
- Family and friends.
- Find solution to increased traffic problems. Keep up the good work!
- Flagstaff businesses seem to 'soak the tourist' so we often buy in Phoenix before coming up, we do not see customer friendly attitudes of many.
- Flagstaff is a beautiful community, I truly love being there, love all the surrounding attractions.
- Flagstaff is a great community.
- Flagstaff is a great community to live in, it's beautiful in summer, they've fixed the town area just beautiful, lots of shopping and eating areas.
- Flagstaff is a lovely and welcoming town. We chose it because of NAU, symphony, and other cultural aspects. It could be improved by upgrading shopping (mall expansion), better airport services (ability to go someplace besides Phoenix), and specialty food shops (Trader Joe's).
- Flagstaff is fabulous - we would like to see it NOT grow too much. It would be nice to see more public areas like parks put in the city limits.
- Flagstaff is the greatest small town in America.
- Flagstaff is where I go for life, Phoenix is where I reside for work, for now.
- Flagstaff needs a donut shop, surprising in view of the fact that it is a college town, urge the city to do all they can to rid Wheeler Park of burns in the summer.
- Flagstaff needs a Trader Joe's and man made snow.
- Foot trails through all neighborhoods like the bike trails, college activities, good activities and programs be advertised more and early in year for planning trips.
- Get more snow in winter.
- Get the artificial snowmaking started at Snow bowl
- Getting snowmaking at Snowbowl will get me to move back to Flagstaff; otherwise not. Coconino Estates is still a nice community.
- Glad you are improving the roads, look forward to the expansion of the mall, would like to see a Trader Joe's store.
- Great community, we love year round activities, change of seasons, small community so close to Phoenix, Flagstaff has it all.
- Great restaurants, above average shopping.
- Growing too rapidly, loose restrictions regarding new building, traffic is terrible.
- Help conserve water.
- Help the ski area make improvements, lift lines are too long.
- Hiking trails system is great, love Flagstaff, love the Artist Coop.

- I am hopeful the new 'wayside' horns will diminish noise from the train horns, am disappointed that a manufactured home development will be built adjacent my property and another will be built across the street.
- I am so pleased to see road improvements all over town, especially on east side.
- I find this current City Council (and recent) to be misguided and incompetent, bordering on immoral.
- I hope Flagstaff will continue to preserve the land and natural habitat.
- I love Flagstaff and intend to retire there within the next 5 years.
- I love Flagstaff, it was very good to me, I got tired of moving snow.
- I love Flagstaff, think they've done a great job, new jobs as new companies come will be helpful, also some medium priced homes.
- I love the community and rented my Flagstaff only last year because I took a job in San Diego. Now, I am in Phoenix area again and will use it as my second home.
- I love the community, do not like winter much.
- I question the common sense of city government-they spend millions building Butler/Enterprise intersection, but still don't have sidewalks along the west side of Woodlands Village Blvd.
- I think Flagstaff needs to do a better job monitoring the homeless population.
- I want to be able to use reclaimed water on my yard.
- I was raised in Flagstaff and moved away in 1984, it's a very nice place.
- I-17 needs to be widened - too congested.
- Improve the condition of streets in Flagstaff and traffic flow.
- Improve urban trail biking system.
- Install a traffic light at 89A and Airport Rd, very dangerous intersection.
- Keep as much open space as possible.
- Keep Flagstaff full of 'mom and pop' businesses and not national chains, keep downtown a pedestrian friendly historic place.
- Keep growth controlled and not helter-skelter to detract from Flagstaff's ambience.
- Keep it growing, support commercial and single family residential development, support artificial snow at the Snow bowl.
- Keep it nice.
- Keep it small, clean, hire within, take care of what you already have.
- Keep out newcomers, more affordable housing.
- Keep promoting the downtown area, it's great to see a vibrant downtown.
- Keep the bus system, ban cars from a couple of downtown streets.
- Keep up the good work, we love Flagstaff.
- Keep working on downtown, great so far.
- Larger health food grocery, scaled down Nordstrom's or boutique store, more access to Forest Roads for sightseeing.
- Less development.
- Let more companies, such as Wal-Mart/distribution centers-they bring more/better paying jobs and don't create a drain on water and other resources.
- Limit development of large tracts with small lots, further develop Snow bowl, limit low cost housing.
- Limit growth to maintain 'small town feel', support small business owners so they can compete with big business, avoid being over-run with chain restaurants, etc.
- Limit the density within city limits.

- Loss of Flagstaff Festival was catastrophic.
- Love Flagstaff, great to get away and go north, will you lower property taxes when house values decrease?
- Love Flagstaff, keep it simple.
- Love Flagstaff. More bike paths will encourage residents and visitors to safely enjoy the great outdoors. Continue park concerts and activities downtown. Families need wholesome free recreation opportunities.
- Love it.
- Love small town feel, we appreciate shopping and restaurant amenities, love parks.
- Love the community. Need to adopt a more uniform code for Sunnyside. Keep the public street improvements coming.
- Maintain the western feel, friendly atmosphere, control growth.
- Make skiing a bigger part of the Flagstaff culture with snowmaking equipment.
- Make Snow bowl work, all out bigger grocery stores to be built or remodeled.
- Minimize restrictions on private property.
- Missing memberships, donations, car maintenance, insurance.
- More help for the homeless in our community. Better litter removal, increase city beautification efforts.
- More outdoor fairs, summer concerts.
- More park and recreation activities, more summer recreation programs/camps, more outdoor concerts, activities, events.
- More prudent about dogs running free, should be more strict.
- More sidewalks please.
- More stuff for families of young children.
- My area needs better trash collection.
- Need a Costco.
- Need a Trader Joe and Lowe's.
- Need an emergency vet open at least until midnight, love the Dark Sky ordinance.
- Need better restaurants in area, more community festivals, streets need repaving.
- Need help with traffic on Milton and Rt 66, past San Francisco St.
- Need more grocery stores, other mall, Lowe's, Home Depot, more asphalt on dust roads, city lights.
- Need new low cost housing opportunities.
- Need to attract more business to the area, for economic development and retirees, as a nice place to live.
- Need to maintain streets better.
- Need to manage obvious growth and keep tax increases proportional to needs.
- Need to start up the Flagstaff Festival again, need a Trader Joe's.
- Need to work on relieving traffic congestion throughout the city. Could use more public golf courses.
- Needs another public/municipal golf course.
- Needs furniture stores and electronics stores, building construction is very high quality.
- Needs more fine dining restaurants, Snow bowl needs snowmaking, continue to improve downtown.
- Needs more industry to provide good jobs for young people.
- Nice area.

- Nice community, too expensive.
- Nice pace, comfortable, friendly town.
- No shopping for media (Best Buy/Circuit City) or Cost-Plus, Pier One, I have to drive to Prescott or Scottsdale, ridiculous for population like Flagstaff.
- Open a Super Walmart, bring in Lowe's, fix Milton Rd.
- Our residential community is used as a truck route because of ADOT signs on US 89 on bridge over I40 & railroad track, misguided trucks on Country Club and on Edgmont thinking that is the way to Albuquerque.
- Overall we are very happy with Flagstaff, wish more airlines flew in to Flagstaff, would like to see a large electronic store and another golf course.
- Parking is inadequate, no visitor parking at all.
- Part time residents should not have to pay for services like trash pick up and sewer during those periods of non usage.
- Pave outlying roads, support ski facilities by allowing snowmaking.
- Please do not land swap and develop federal forest land south of Tanglewood/Fourfield area.
- Please don't allow development on all the east Flagstaff parks, keep some undeveloped.
- Please keep it as pristine as possible, limit growth.
- Please stop building apartments and townhouses, we need more, nicer restaurants.
- Please stop using Forest Highlands as a financial source to pay your bills.
- Poorly managed, need a 10 year plan with Phoenix so big and so close, plan and market as a summer retreat.
- Preserve quality of life with smart urban and forest planning.
- Protect downtown area preserving it from chain stores, promote affordable housing for working young people, support and protect environment, services/resources for pedestrians & bicycles. Develop urban trails and parks.
- Protect McMillan Mesa!!
- Protect the trees, stop cutting so many down for new houses.
- Put a Trader Joe's in the community.
- Put some industry nearby so folks that live here can have a decent income.
- Quit growing.
- Reduce property taxes.
- Relief for traffic congestion on Rt. 66 and Milton, more parking downtown.
- Road coming into Fairfield - especially Butler. Tras pick convenient to weekend visitor - called two times to suggest - no reply. Park are excellent - especially on Butler. More event's like Scotchish event. Enjoy the down town and event at Wheeler Park.
- Road/transportation improvements, more theaters and better shopping.
- Save all old architecture downtown, think progressively, emulate other ski towns, don't force small lots and small cookie-cutter, cheap housing, in the end it will hurt the community.
- Save the forest, we value the surrounding nature more than the house, keep it a 'one horse town' feeling.
- Secure a Trader Joe's franchise, keep the small town feel by encouraging family-owned businesses, not big chains.
- Shouldn't have to pay for trash pick up when we are not there.

- Small town with small minded people, nice place twenty years ago, today I'd rather be in Phoenix.
- Stop cutting down the Ponderosa's, protect your environment.
- Stop growth, do not issue any more building, reduce fire hazards.
- Support snowmaking operations at mountain; advertise downtown business more.
- Taxes are unrealistic in Flagstaff.
- The community (Walnut Hills) needs a more aggressive landscape and property maintenance program.
- The taxes we pay are too great for the services we receive.
- Tone down the 'green' propaganda, typical university city, for that reason I would never make it my permanent home, though I have considered it.
- Traffic issues, continued fire protection, additional movie theater.
- Traffic needs to be a concern as does water and growth.
- Water supply.
- We are very pleased to own property in Flagstaff and participate in the activities offered in this area.
- We are very pleased with what we have discovered/experienced in Flagstaff, a progressive community, an active community with many social services, caring churches, a wonderful trail system and the beauty of the Peaks.
- We do not want to have the width of our new streets decreased. Narrow streets make the community seem cluttered and congested - especially with snow. Can we force apartments to take better care of balconies, landscape, paint, parking lots, etc.
- We enjoy the community, we intend to use our condo on a regular basis.
- We have considered making our walk out basement in to a rental unit, could benefit someone in need of nice affordable housing, we can't because of zoning, would like to see some of the zoning laws changed, or least find a way to get a variance.
- We have two children you have attended NAU and have been very pleased with the community and what it offers to all ages of residents and visitors.
- We live in CA and bought our Flagstaff house with the intention of moving in several years - we love it there.
- We love being residents of Flagstaff. It's a smaller city which is why we enjoy it, with nice people and goods, arts and education opportunities!
- We love Flagstaff.
- We love Flagstaff.
- We love Flagstaff.
- We love Flagstaff and hope that it keeps its small town atmosphere.
- We love Flagstaff and would live there full time if the airport had more direct flights.
- We love Flagstaff but there is definitely a traffic problem.
- We love Flagstaff, and we hope the city and county administrations give appropriate weight to the current water problem (and likely more serious future water shortages) in evaluating proposals for new housing developments, golf courses, etc.
- We love Flagstaff, city workers do a great job with snow removal and tree branch removal.
- We love Flagstaff, it needs better road infrastructure to de-congest Milton and Santa Fe.
- We love the mountains, the city of Flagstaff and plan to spend more time up there.

- We need retail on the east side/Country Club area, for such an expensive place there are many run down neighborhoods, the bike trail in/around town seems very disjointed.
- We need to build, widen or improve arteries and surface streets in order to relieve congestion on the main street through town (ie - Route 66 etc.). This would significantly improve the quality of life for all residents! Thank you.
- We need to preserve open space within the city, make it more walk able, promote housing density, provide affordable housing.
- We plan to stop renting our Flagstaff home in 2008 and start using it personally.
- We try very hard to support local businesses, we suggest the city support small businesses, shops & restaurants, owned by local residents of Flagstaff.
- We want to see more COMPETITION, more stores. Specifically, Lowe's, AJs, Costco, Trader Joe's! behind the mall or wherever. More restaurants. Open that TGI Friday's (been sitting with no more action), Chuey's, Chipotle, Baja Fresh, Pei Wei, Wildflower Bread Company, Some Burros. AMC theater - you need competition to Harkins to get him to clean up his act. Competition drives down prices too - we need it. HELP please!
- We were born and raised in Flagstaff and love it, however, there are not enough well paying jobs to support it, we had to move to get jobs that could support our family.
- We wish there were more stores like TJ Maxx, Marshalls, Macy's, better and more diverse art galleries.
- We would spend more time & money in Flagstaff if there were more upscale restaurants & retail stores, traffic pattern/flows were better.
- We would use the home much more often to entertain friends/family in the winter if snowmaking was passed at the Snow bowl.
- We're very fortunate to be located right next to Forest Highlands, no noise, no travel, peaceful.
- Wish they would regulate building and growth, too much growth ruins the ambiance of country living.
- Work on a bypass around Hwy 130, how about a downtown exit off I-40?
- Would like more activities for children.
- Would like to see a Brighton, J. Jill, Lowe's and the expansion of the mall, also movies at the mall, return & more summer outdoor concerts.
- Would like to see a homeowners association develop for our community.
- Would love more directional signage on urban trail system.

